



Balancing Multi-Generational Retail Strategies

Millennials, Boomers and the changing retail landscape

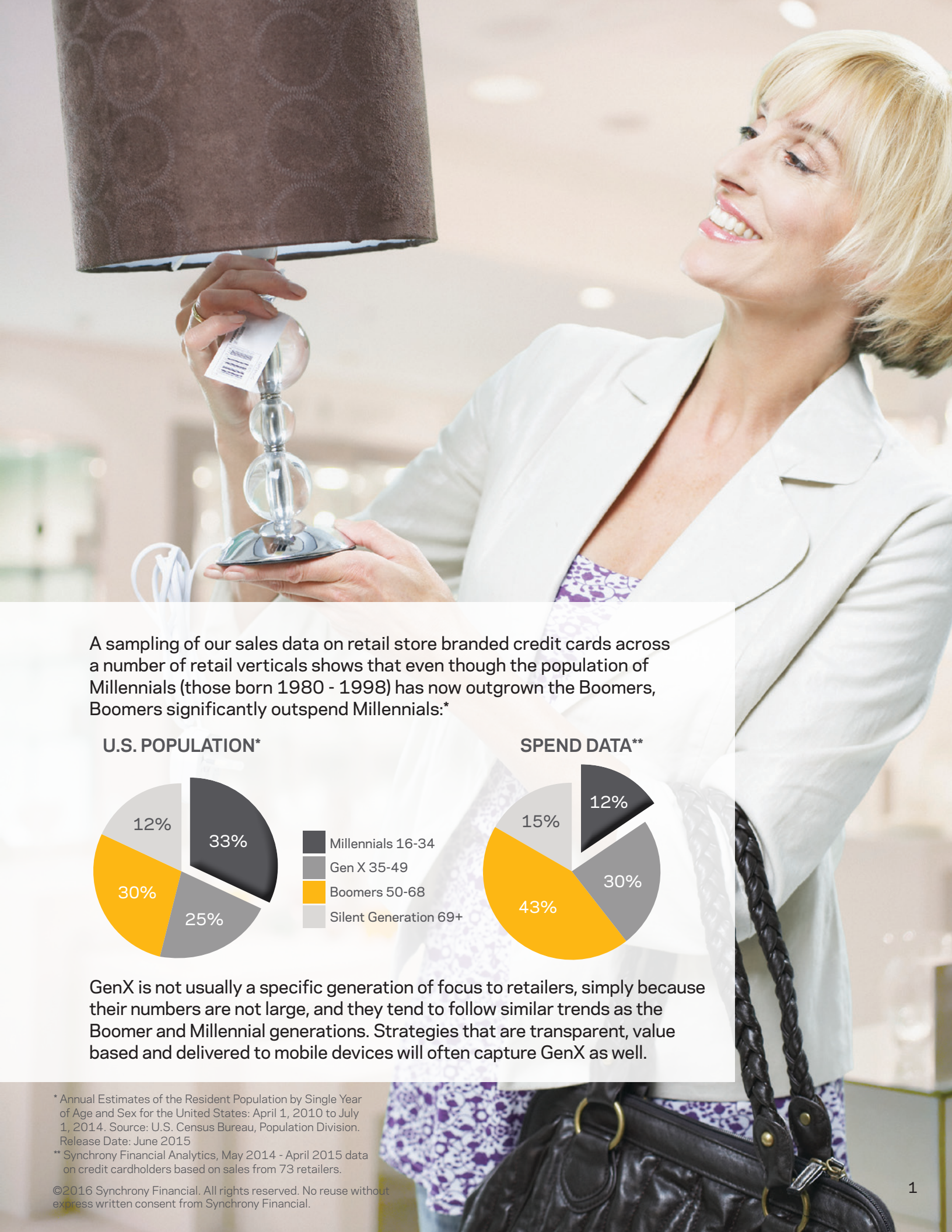
August 2015



It is no secret that Baby Boomers are a shopping force and have provided many retailers with the main source of income for the past decade. Baby Boomers (those born from 1946 - 1964) drive the strategy, merchandising and marketing for many retailers today. Small wonder. With a shopping force 75 million* strong, a large percentage of retail sales comes from the Baby Boomer generation.

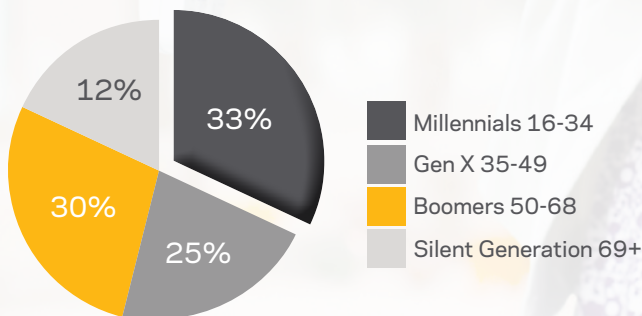
But, with Millennials growing in number and purchasing power, retail strategies must start to focus on this generation in order to be successful.

*U.S. Census Bureau, Population Division. Release date June 2015.

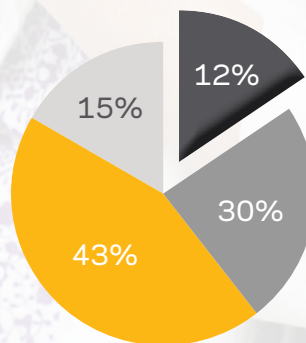


A sampling of our sales data on retail store branded credit cards across a number of retail verticals shows that even though the population of Millennials (those born 1980 - 1998) has now outgrown the Boomers, Boomers significantly outspend Millennials.*

U.S. POPULATION*



SPEND DATA**



GenX is not usually a specific generation of focus to retailers, simply because their numbers are not large, and they tend to follow similar trends as the Boomer and Millennial generations. Strategies that are transparent, value based and delivered to mobile devices will often capture GenX as well.

* Annual Estimates of the Resident Population by Single Year of Age and Sex for the United States: April 1, 2010 to July 1, 2014. Source: U.S. Census Bureau, Population Division. Release Date: June 2015

** Synchrony Financial Analytics, May 2014 - April 2015 data on credit cardholders based on sales from 73 retailers.

A strategy focused on Boomers may need to evolve into a strategy more inclusive of a wider population. Millennials are quickly becoming a shopping force of their own. Although not yet spending in large amounts, Millennials are now the largest generation in the U.S. workforce, and 80MM of them are entering their peak consumption years.*

There is no shortage of information and analysis on the Millennial population. White papers, academic studies, customer research and social listening abound. Millennials have been analyzed for their thoughts, feelings, likes, dislikes, charity, diversity, shopping habits, debt levels, etc.; yet, actionable insights about what drives their behavior have proven more elusive. This often leads to a wide range of opinions on the subject, from "Ignore them, they have no money anyway," to "Drop everything and focus solely on Millennials".

One thing is certain, Millennials are here to stay. And so are the GenX and Baby Boomer populations. Boomers still have the most disposable income and over 40% of retail sales compared to about 12% for Millennials. As a result, this white paper will focus on **multi-generational marketing**. Any other approach would be significantly one-sided.

- Retailers who do not fully understand
- and engage the Millennial customer may
- eventually find their strategies out of touch
- with their future core shoppers.

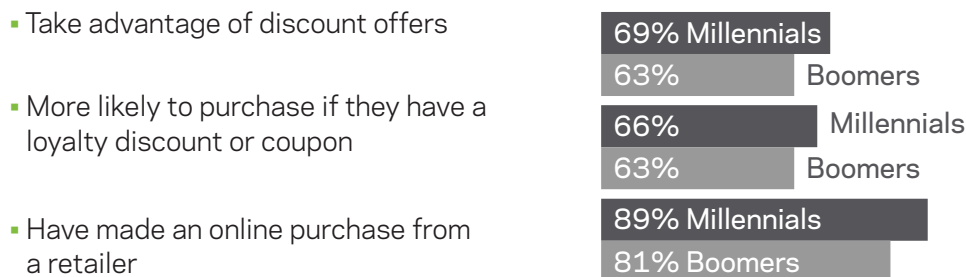
* Richard Fry. "Millennials surpass Gen Xers as the largest generation in U.S. labor force." Pew Research Center, Washington, D.C. (May 11, 2015). <http://www.pewresearch.org/fact-tank/2015/05/11/millennials-surpass-gen-xers-as-the-largest-generation-in-u-s-labor-force>.

Two generations, one unified brand experience.

Our 2015 Digital Study, conducted in March through April of 2015 uncovers both similarities and differences in the way the two generations shop. The data below summarizes these findings.

SIMILARITIES

1. Millennials and Boomers are similar in their usage of coupons and online research.



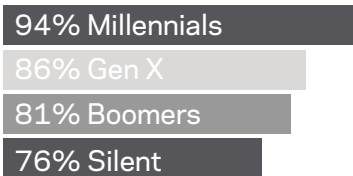
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MYTH BUSTERS

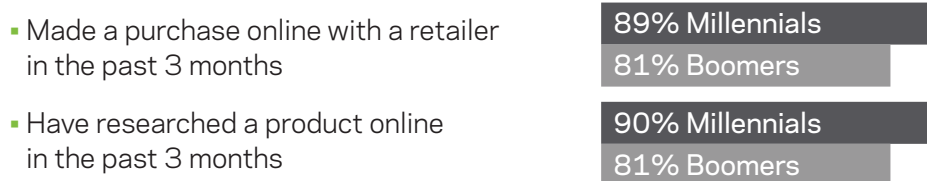
Millennials are no more likely to shop a socially conscious, “green” retailer than GenX and Boomers. Shopping at a retailer with a “social conscience” is important to about 75% of all these generations.

Crowdtap survey, May 2015.

2. All generations have wide access to social media. Even 76% of the Silent Generation state they have access to at least one social media site.



3. Both Boomers and Millennials are very comfortable with online shopping, browsing and researching.



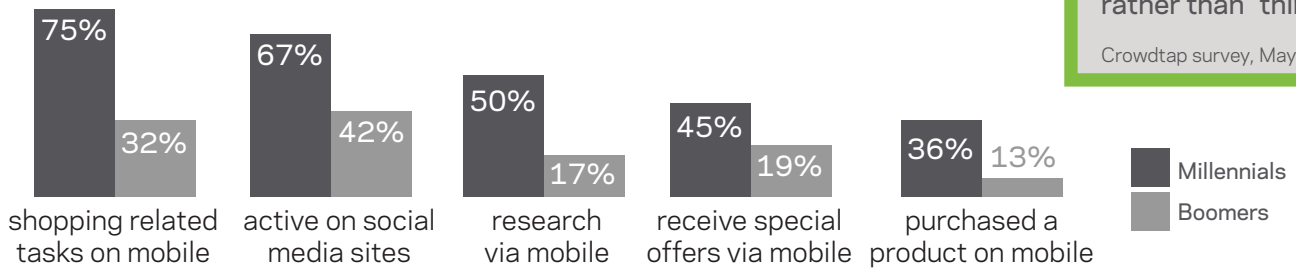
4. Millennials are only moderately more likely to own digital devices.



DIFFERENCES

1. Millennials and Boomers use digital devices differently.

- Millennials are much more likely to use their digital devices for a wide variety of shopping related tasks. Boomers have the devices, but are much less likely to use them as interactively for shopping.



MYTH BUSTERS

Millennials are no more likely to spend more money on "experiences" rather than "things".

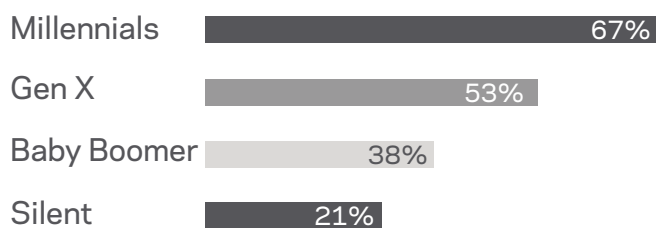
Crowdtap survey, May 2015.

2. Millennials are more engaged in and influenced by social media for purchases.

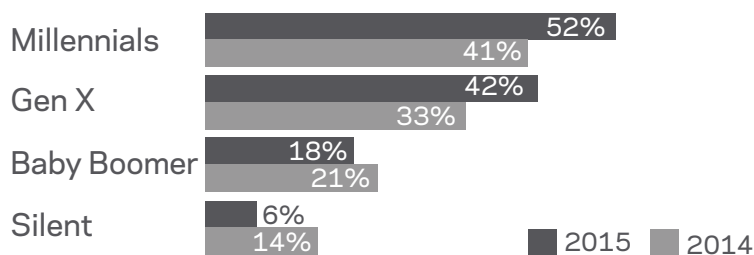
Millennials are much more active on social media and are many times more likely to be influenced by social media for purchases.

In addition to being more active on social media, over half of Millennials say they have purchased a product after seeing it on social media. This has gone up substantially over just one year. For the Baby Boomer and older generations, this number has actually declined a bit.

- Percent stating they Like or Follow brands on social media:



- Percent stating they purchased a product after seeing it on social media:



DIFFERENCES

3. The purchase drivers are different by generation, and can vary by purchase category.

When devising strategies to attract the existing Baby Boomer, as well as upcoming Millennial shopper, retailers often look to advertising and promotional strategies. **The question is: which marketing channels are most effective to reach my target audience?**

In answering this question, it is often helpful to look across not only marketing channel, but also specific retail category. Both generations are attracted to different media. As a result, advertising and promotional strategies must assess the specific channel preferences for each retail category.

Our analysis below, contrasting the Apparel and Electronics industries, articulates the differences in channel preferences for both populations.

Purchase Drivers by Retail Category - Apparel and Electronics*



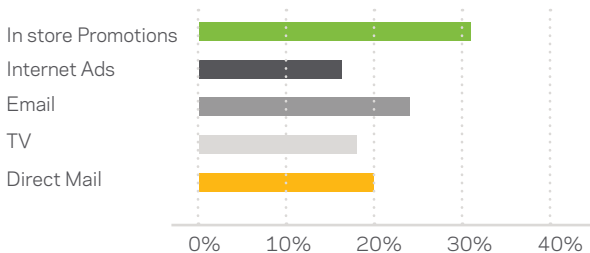
Apparel

When analyzing purchase drivers for the Baby Boomer population, the focus would naturally be on in-store promotions.

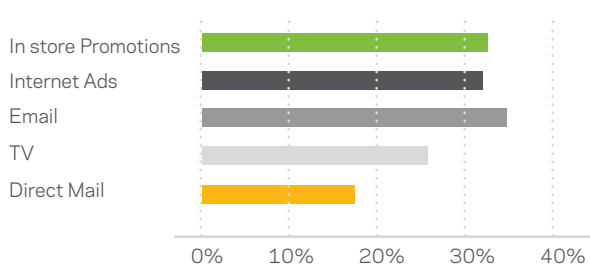
TV, direct mail and email have less of an influence on sales, and certainly do not appear to be the main driver.

However, when Millennials' preferences are taken into account, the focus shifts. Millennials are much more influenced by internet ads and email.

Boomers



Millennials



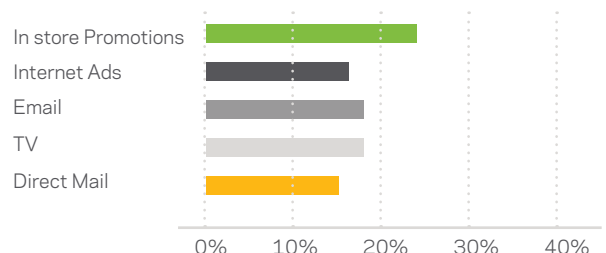
Electronics

For the electronics category, when looking at purchase drivers for Boomers alone, in-store promotions are the top driver of purchases, closely followed by TV and email.

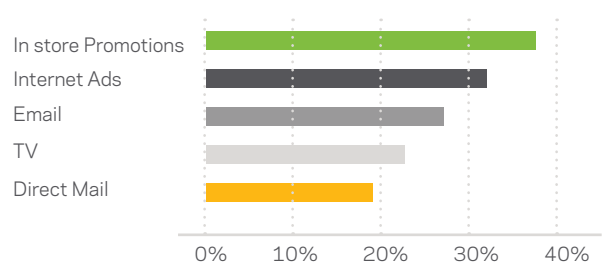
When purchase drivers for Millennials are analyzed, in-store promotions and internet ads are much more important in driving purchases.

The decision of where to spend marketing dollars is different when adding potential spenders (Millennials) into the framework.

Boomers



Millennials



If the goal is to attract Millennials to a retail brand, these channel preferences should be taken into account when creating a marketing strategy.

*NRF Media Behaviors and Influence™ Study, January 2015.

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New approach: Knowing the similarities and differences between Baby Boomers and Millennials leads to new strategies retailers can use to attract and retain both generations in a single brand experience. Here are some ways to get started:



- 1. Deploy different coupon and sales strategies to drive traffic.** The communication of the sales event could be executed differently for Millennials vs. Boomers. If possible, pursue different media strategies which communicate to different audiences. Focus on in-store promotions and print media for the Boomer population, and internet advertising, emails and apps to attract the Millennial customer.
- 2. Ensure your digital customer experience is frictionless.** Invest in best-in-class digital/mobile platforms. Make sure the user experience in retail apps for both smart phones and tablets is optimized. Some avenues to consider include flash sales, curation, uploading shopping baskets to social media and in-store items to the online basket. A seamless experience will go far in engaging the Millennial shopper.
- 3. For Millennials, create opportunities to generate and amplify the impact of word-of-mouth advocacy.** Ensure you are in the right social media channels and frequently interact with your customers. Find the social channels that make sense for your brand (e.g.: Facebook, Pinterest, blogs) and ensure you have a presence in these channels. But, be mindful of trying to over-generate this content. Retailers who are openly trying to control the conversation are often caught.

∴ Strategies to attract the Millennial to the brand should
∴ include customer advocacy as well as social media.

- Attract the Millennial by using flash sales, special offers and push notifications.
- Retain the Boomer with great customer service and an engaging website.

SALE

4. Analyze the drivers of the purchase decision for your retail category for both existing and potential customers

- Understand what channel drives the purchase decision for the Baby Boomer, as well as the Millennial shopper.
- Ensure your brand looks at media and advertising encompassing both traditional, as well as digital media to include all generations.

5. Align your organization to ensure consistent brand experiences across channels.

New roles are being created in the C-suite, such as Chief Omni-Channel Officer or Omni Strategy Director. These positions look across channels to ensure the customer experience is consistent with the brand promise.

6. Develop associate training and involvement to create a delighted customer.

It is vital for the store associate to be trained and comfortable with the needs of both Millennials and Boomers. Associates should have enough store knowledge to give Boomers the personalized experience they expect, and enough understanding of digital technology to give Millennials the online tools and connections they expect. Most importantly, associates should be prepared to give both customers the extra services needed to earn and keep their business, including:

- Shipping items from store to customer
- In-store kiosk for online ordering
- Access to Wish Lists and Online Shopping Baskets





Conclusion

A multi-generational retail strategy is becoming more relevant and necessary for today's retailer with a base of Baby Boomers and a desire to attract a younger demographic. The ideal strategy is one where the Boomer population feels valued and delighted, while the Millennial feels excited and interested.

Both can exist in one seamless retail experience. Several strategies can be used to ensure the retail experience effectively engages both generations.

Focus on what really matters.

Synchrony Financial is one of the premier consumer financial services companies in the United States. Our roots in consumer finance trace back to 1932, and today we are the largest provider of private label credit cards in the United States, based on purchase volume and receivables.



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Marketing, analytics and research expertise to help you drive business growth

Lead

Tools for leading your organization and developing yourself as a leader

Operate

Best practices around business strategy and optimizing cost

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