



Generation Shop

Retailers and shopping center owners should get ready now in order to capture the flow of dollars from Generation Y, the smartest generation yet.

Jill Bensley and Shea Whitney

There is a huge population burst about to enter the American system with wide-ranging ramifications for the retail industry: the so-called Echo Boomers, Generation Y, or Millennials. They number 79 million, more than three times the size of Generation X, and currently comprise 26 percent of the U.S. population. Generation Y will be a gigantic group of teenagers, the largest group of young people in the country's history, larger even than the baby boomers. They were born roughly between 1977 and 1997 and are currently ages 3 to 23. They are the most ethnically diverse generation to date; one-third of them are minorities, mostly African American and Hispanic. Although most of its members are still children, the Echo Boomers' impact on business and society is already immense.

The U.S. birth rate started rising in early 1980, ending the baby-bust years. From 1989 to 1993, U.S. births exceeded 4 million for the first time in almost 30 years. Today, there are almost 57 million children under age 15, and more than 20 million in the 4- to 8-year-old age category. In 10 years, when the oldest member of Generation Y is 33, they and all of those younger than them will make up 41.4 percent of the U.S. population.

Generation Y has traditional values that are reminiscent of past generations. They appreciate their fami-

lies, country and the planet. They think things other than income are important to success and happiness, and they feel a responsibility to make the world a better place. They are technologically adept and are growing up to be environmentally conscious and far more tolerant of differences than preceding generations. Even as children, they are far more politically active than Gen Xers.

The older members of Generation Y have high educational attainment and believe education is a lifelong endeavor that is the key to economic security. They are avid e-commerce users. Sixty percent of households with children age seven and younger have a computer, and 67 percent use computers regularly. They are the first generation to grow up with a computer at home and often help their parents troubleshoot. They are a generation that has grown up in the world of malls and cable TV, and they have sophisticated tastes.

Generation Y is changing the way many places do business. Hotels and cruise lines offer kids' programs. Malls and supermarkets are providing on-site babysitting. Restaurants are setting out crayons at the table and expanding their take-out menus, all to serve families with small children.

Members of Generation Y are described as "good scouts." These teenagers aren't as angry as prior generations. They are good at multi-tasking. They can play a video game, lis-

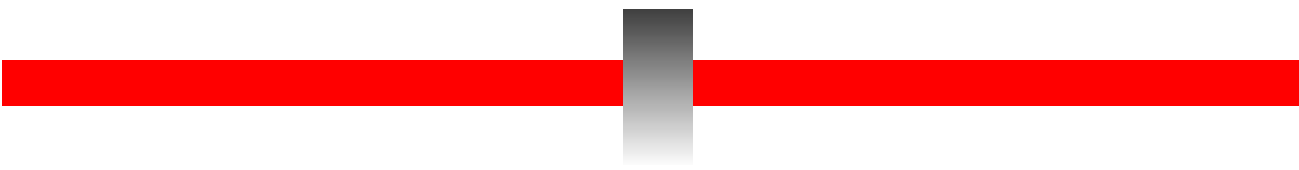
ten to a CD and do homework at the same time. They crave a multitude of stimuli and are avid game and movie consumers. They crave cutting-edge, high-impact, technologically advanced entertainment that they push their families to buy.

WHAT THEY BUY

As of now, Generation Y claims less than 4 percent of all household spending in the United States, but in several markets they account for up to 5 percent of men's apparel, women's apparel and footwear, and they also make up 10 percent of infant clothing expenditures. They also have above-average consumption of televisions, radios and sound equipment, computer hardware and software, gas and motor oil.

Teens spent approximately \$141 billion last year and influenced \$300 billion in family spending, voicing their opinion on issues ranging from what computer to buy, who to call for pizza, to where to spend the family vacation. American Demographics puts this number even higher, estimating that children ages 4 to 12 directly or indirectly accounted for \$500 billion in household spending in 1997. In large part because of their computer skills, they often become the family CEO and dictate the brands that their parents will buy.

This generation has grown up in material affluence and is used to having and spending a much higher



amount of money than any preceding generation. For the foreseeable future, this is a group that will want luxurious and branded items. Generous parents and grandparents have raised the weekly gift and allowance bar to \$9 billion a year. Their allowance has risen 76 percent in unadjusted dollars between the years of 1991 and 1997, according to American Demographics. Jupiter Communications LLC estimates that the Gen Y impact on e-commerce will be \$1.3 billion in 2002. A 1998 *New York Times*/CBS poll of teenagers found that 49 percent of them had part time jobs. Almost one-fifth of them had their own telephone numbers, a beeper or pager, and two-thirds owned a television in their own bedrooms.

Perhaps then, they should be called Generation Shop, for that is what they love to do. Teenagers have always loved to hang out in the mall, but the difference is that today teens are heavily courted rather than viewed as a loitering problem. Gen Ys spend on average \$20 each mall visit, and average 56 mall trips a year. The power of the Gen Y dollar can not be ignored. Retailers across the country are bracing for a surge as the first crop of Gen Ys graduate from college and move into a tight labor market where they can expect to increase their already huge spending potential. This cohort is widely predicted to radically alter the shopping experience.

Companies that sell entertainment such as toys, videos, software and clothing to this group have boomed in recent years. Consider that nine of the 10 best-selling videos of all time are animated films from Walt Disney. The French vacation company Club Med now earns about half its U.S. revenues from family resorts.

Reading is also a favorite pastime for Generation Y. Annual sales of books for young readers have more than doubled since 1987 to \$1.4 billion. The educational-software industry has also taken off, with annual sales of \$600 million.

This group is largely responsible

for the growth and development of the more than \$6 billion home game market (CDs, game hardware and game software). They are very independent for youngsters; a startling 39 percent of 18- and 19-year-olds have their own credit cards. The oldest members of Gen Y are currently forming their first households. As the rest of them come of age and begin to work, their spending power will increase dramatically.

ATTRACTING GENERATION Y

Traditional means of advertising doesn't work with Generation Y. Marketers are scrambling to figure out how to reach the fickle teen market. One reason that they are so hard to nail down is the tremendous diversity of the group as a whole. While traditional marketing has focused on each generation as group, Generation Y should be looked at as many segmented groups that call for individual marketing attempts. They are much too fragmented to respond to a single-minded, simplistic advertising campaign.

A characteristic of Gen Y shopping behavior is brand association. American Demographics reported that 90 percent of product requests made by youths to their parents are by brand. Delia's, Tommy Hilfiger and Mudd are some of those brands currently considered "hot." What's not hot? Now the names are more familiar: Nike, Levi's and Converse. What's happening?


Generation Y has grown up with slick ad campaigns and is turned off by brands that they feel are trying too hard to be "cool," or with which they don't feel a connection. Levi's sales fell from 30 percent market share in 1990 to about 16 percent market share in 1998 for failing to stay tuned into what's "cool" among this generation. Levi's market share was mostly lost to competitors such as Gap and Tommy Hilfiger, but also to cutting-edge alternative brands such as Mudd, Paris Blues and Cement. There is a growing trend toward small, highly segmented

brand merchandise selling at a much riskier pace than the old-time names.

Generation Y appreciates brands that emulate their many lifestyles. They especially want to feel that they discovered the brand on their own, and not through marketing. Tommy Hilfiger's genius has been to market with Generation Y, not for them. He abandoned the preppie looks that were popular with brands such as Calvin Klein and Armani, and took a risk in embracing the baggy street styles of inner city youth, then sat back and watched as his sales went through the roof. He positioned his company to be hip, vivid, teen-inspired and popular among all racial lines right at the time that the multicultural, brand-conscious Gen Y market was emerging. Hilfiger never created anything new, he just mixed and matched what was already out there and put his logo on it. The crucial lesson in his experience is that marketers must learn to build brands with Generation Y rather than for them.

Advertising that works for Generation Y is full of irony, sarcasm, and ultimately makes them laugh. Word-of-mouth tends to be the biggest factor cited in choosing a brand. A savvy company will know that members of Generation Y expect to be treated well, and hate being talked down to. Generation Y has proven themselves to be empowered by the Web. A disgruntled consumer can instantly take their story to thousands via Internet chat rooms and bulletin boards.

Many companies are using "cool-hunters" and "street teams" to find out what's hot among today's youth. Companies are sending teams of young people into malls, skate parks and clubs to talk to teens about everything from fashion to finance to try to pinpoint new trends. Mass marketers have even taken to "wild postings," which is tacking up ad posters on street corners and construction sites. Many companies are handing out coupon books at concerts, ball games and any number of out-of-the-way places, the idea being to make



kids stumble onto the brand in unexpected places. Coca-Cola even went so far as to give out discount cards for fast food and movies, building credibility by sending them out to high school sports stars and other popular kids before giving them to others.

Retailers and e-tailers that are looking to court this group need to engage all five of their senses. Generation Y enjoys a mix of shopping and entertainment. They like experimentation and hangout areas where they can gather with their friends and get their opinion on purchases. This group likes to multi-task. Many of them complain of being stuck in a time-crunch. They want to have time to relax, but even in their leisure activities often feel stressed out and over-committed. Providing opportunities for them to do more than one thing at a time will earn a loyal customer.

LOOKING TO THE FUTURE

As they grow up, Generation Y will change society and the shopping and entertainment it must offer to meet their preferences and demands. Some characteristics of this generation that must be recognized by retailers now and in the future include the following:

- At 79 million strong and with an influence over \$500 billion in

household spending in 1997, they are a force to be reckoned with.

- The first Gen Yers are currently graduating from college and will enter the work force, increasing their already huge spending potential.

- Gen Y is the most ethnically diverse generation to date. They are far more tolerant of diversity than any preceding generation, and expect their racial/ethnic composition to be represented in advertising.

- They crave a multitude of stimuli, and want all five senses engaged. They respond well to a mix of shopping and entertainment.

- They have been raised in relative affluence and are expected to respond to luxury items and brands.

- They frequent malls 56 times a year, spending \$20 average on each trip.

- Gen Y responds to advertising filled with irony and sarcasm. They love advertisements that make them laugh.

- Gen Y is really a fragmented bunch of subgroups, rather than one large mass. You must decide whom you want to court, and advertise to them.

- They are turned off by brands that try too hard to be "cool."

- Market with Generation Y, not for them. Let them tell you what they like. Listen to them.

- Young Gen Yers idolize their parents. In a Yankelovich survey, the Number 1 objective of pre-teen children is to connect with their parents. Providing opportunities for them to have fun in a multi-generational environment is a key to capturing this market.

- Many come from split families, with busy, dual-career households, so they will need shorter-term entertainment experiences.

- They are extremely green, and interested in a company's morality. Marketing and advertising though word and deed is critical.

- They are by far the most wired and tech-savvy generation yet.

How does one capture this elusive group called Generation Y? By keeping your eyes open to new trends, and instead of trying to dictate what's cool, listen to what they have to say and be quick to respond. If you can capture their trust and respect, you may be able to create long-term loyalty with this sleeping giant that's about to change everything. **SCB**

Jill Bensley is president of JB Research Company, located in Ojai, California. Shea Whitney is an associate at the company.