



Winning Millennials, Gen X, and Boomers With the Five Ws

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Wharton and NPD Study Uncovers Retail Opportunities Across Three Generations

Who, what, when, where, and why.

Every journalist and student in America knows the so-called five Ws. They're how we're taught to organize our thoughts and craft stories. Answer those five questions and you can write a news story, compose a college essay, or tell a joke.

The five Ws are also the most basic forms of consumer segmentation. Just as "Once upon a time, in a land far away, a prince set out on journey to find his true love" is the start of a fairy tale, "On a Tuesday in August in Biloxi, a mother of three spent \$148 at Target on back-to-school clothes" is a shopping tale.

So here's the thing: Relationships among the five Ws of shopping are a bit more complex. And they tell tales a great deal more illuminating than one might expect.

We shared data from our Checkout TrackingSM service with researchers from the Wharton School of The University of Pennsylvania. Checkout Tracking data is based on the millions of receipts consumers send to us and our technology partner, Slice Intelligence. Those receipts yield detailed, item-level data about individual consumers across stores, across all retail segments, covering both online and brick-and-mortar, over time.

A study of the data revealed the what and the why of consumer purchases are linked to the when of consumers' lifestyles. In other words, when people have babies, they buy baby things. But the how and where of purchases are tied to who a consumer is by generation.

Even when the other four Ws are the same, it's who we are – Boomer, Gen X, or Millennial – that makes all the difference. For example:

Moms from Gen X don't shop in the same places or buy the same things as Millennial moms.

Boomers and Gen X may shop in the same warehouse stores, but they buy from within different categories when they roam the aisles.

Everyone visits a convenience store from time to time. But while Millennials buy food there a lot, and Gen Xers buy food there on occasion, Boomers only look to c-stores for gasoline.

There are obvious implications in this for both retailers and manufacturers. But to understand those implications, we need to consider how the other four "Ws" interact with "who" at brick-and-mortar and online.

Brick-and-mortar shopping by generation

Age seems to determine a shopper's affinity for buying from a real-world store. Boomers, who came of age long before online shopping was commonplace, still gravitate toward brick-and-mortar. Members of Gen X, who spent their childhoods, but not their adulthoods, in an analog world, appear comfortable in both the real and virtual worlds. Millennials, who have no memory of a world without online convenience, appear most interested in brick-and-mortar shopping only when it can be done easily.

Millennials

Millennials are typically grouped into one large consumer segment aged 18 to 34 for study. But people at each end of this spectrum do not share the same experiences, think, or act the same way. And as we've noted in an earlier [report on how to sell to Gen Y](#), the differences play out on the retail floor.

Younger Millennials (ages 18 to 24) are less picky when it comes to food and more likely to shop at sporting goods stores. Older Millennials (age 25-34) use more loyalty mobile apps and spend more on accessories.

Compared to other shoppers, Millennials spend a relatively higher share of their convenience store budget on gift cards, as well as grocery items and housewares. (Gift cards make up a significantly lower share in all other shoppers' check-out baskets.) This outsized purchasing of gift cards is especially pronounced among older Millennials. Older Millennials also spend a significantly larger share of their mass merchant expenses on gift cards than we see in other generations.

Younger Millennials' mass merchant expenses are relatively more focused on video games, technology, and accessories, while older Millennials, especially those with kids, spend more on baby products and toys.

Gen X and older Millennials with kids spend relatively more on baby/toy and home improvement products. Millennials without kids focus their spending more on health/beauty, accessories, pet supplies, and housewares.

Interestingly, older Millennials spend a higher share of their department store expenses on appliances, footwear, and housewares compared to other generations. Younger Millennials over-index on purchases of accessories, footwear, and health/personal care products, which could reflect shopping for lower-cost/smaller ticket items with a focus on appearance.

Gen X

Gen X has been called the forgotten middle generation – neither as shiny and new as the Millennials, nor as culturally and politically dominant as the Boomers. And if Gen X has become notable for anything, it's for being in [pretty bad shape financially](#).

Given that, it's not surprising to see Gen X' shopping patterns tend to be both largely unremarkable and based in budget worries.

At department stores, Gen Xers show a more evenly distributed purchase pattern across the main categories than do other generations, although apparel also dominates their department store purchases.

When shoppers of any generation visit warehouse clubs, the biggest category is grocery. But for Gen X, those aisles of low-cost food account for 62.5 percent of warehouse channel spending.

Gen X was the first group to begin buying groceries on a regular basis at convenience stores. Grocery/foodservice makes up 22 percent of the generation's convenience store spend. (Millennials are slightly higher at almost 25 percent.)

Gen X is also fond of off-price retailers, where they over-index on baby/toy and home improvement products.

Regardless of retailer type, Gen X also over-indexes on gift cards, prestige beauty products, and accessories.

Boomers

Suffice it to say the Woodstock generation is exhibiting many of the behaviors we would normally associate with seniors – settling into a frugal, fixed-income lifestyle, demonstrating a preference for doing things the way they've been done before, and organizing tasks so as to limit driving.

In other words, Boomers are interested in value and one-stop shopping.

And that means warehouse clubs, the kings of the cross-shopping world, play a sizeable role in Boomers' shopping. The generation's favorite category there is grocery, but Boomers spend a relatively higher share of their warehouse budget on accessories, pet supplies, apparel, technology, and gas compared to the other segments.

At off-price retailers, Boomers' spending spreads a little bit more evenly across categories than it does for other generations. Again, this indicates a general interest in the off-price/value concept and one-stop shopping format. We also see this in Boomers' relatively higher share of spending on necessity product categories, namely grocery, pet supplies, and home improvement.

Boomers' department store spending over-indexes for apparel and home textiles, while their spending on accessories, footwear, and beauty is lower compared with other generations.

And Boomers still see convenience stores as gas stations. Almost 65 percent of the generation's c-store expenses are for gasoline, while grocery and foodservice account for less than 17 percent.

Boomers' spending at mass merchants shows a relatively higher share devoted to pet supplies, automotive products, and home improvement and a slightly higher share for technology.

Online shopping by generation

Amazon dominates the online world across all ages, accounting for about a fifth to a quarter of online spending. Beyond that, each generation exhibits distinctive shopping patterns of its own.

Compared to other generations, Millennials' e-commerce expenses take a bigger share of their total budget, followed by Gen X and Boomers. Each generation shows distinct online shopping patterns, shaped by people's life stages and respective interests (e.g., entertainment/technology, home, family/kids, work clothes, etc.). Shopping patterns are also shaped by the retailers and new disruptive services (e.g., Uber, Airbnb) they grew up with and have been using.

Their shopping patterns also reveal a level of comfort with using mobile channels and apps. Especially for Younger Millennials, mobile is a way of life. So apps that offer ease, convenience, and fun shopping experiences facilitate online spending (e.g., Uber, Seamless, GrubHub, Target, and Etsy), especially among the consumer segments that grew up on mobile.

The Where of shopping online also varies by generation. Boomers favor department stores online more than other generations. Some of that online shopping may be driven by offline familiarity with the retailers shopped – so we see brand-loyal customers using an alternative channel to shop their favorite retailers.

Gen Xers and Millennials favor specialty stores more. The specialty stores that do best with Millennials online are those that have targeted Millennials with online/mobile strategies, among them, Asos, Victoria's Secret, and J. Crew.

Across all age groups, the categories with the largest online spend are travel, electronics, apparel and accessories, and home and kitchen. A second tier of categories consists of health and beauty, software and mobile apps, shoes, and grocery and gourmet food.

As indicated above, e-commerce makes up the highest share of Millennials' total budget, followed by Gen X and Boomers.

But Younger and Older Millennials' shopping patterns stand apart.

Younger Millennials spend on tech and disruption

Younger Millennials spend relatively more of their online dollars with technology/electronics retailers like Apple, iTunes, Microsoft, Best Buy, Staples, and Newegg. They also spend more on disruptive travel services (Uber, Lyft, Airbnb) and foodservice delivery (GrubHub, Starbucks).

Other retailers Younger Millennials' online expenses skew toward are Target, Etsy, and select specialty stores, namely Victoria's Secret, Asos, and Sephora.

Younger Millennials spend a relatively higher share of their online wallet on office products, books, tickets and events, jewelry and watches, music, software and mobile apps, and electronics. This reflects this segment's when – younger members of Gen Y are going through the life stages everyone experiences in their teens and early adulthood: going to school, dating, and looking at and spending cash on small indulgences like jewelry. What makes these when-typical purchases different today is technology. Some of the items favored by younger Millennials are either mostly available online or just most convenient to buy online, like music, software and apps, books, tickets, and events).

This online buying pattern reflects this segment's interests (technology, fashion, cosmetics, coffee, transportation, travel, etc.). It is also a reflection of retailers' targeting of this segment with product/services, communication, and distribution strategies that cater to young people. Mobile strategies, including user-friendly apps, are particularly important to reach this segment.

Older Millennials have babies and homes, and they shop accordingly

Compared to Younger Millennials, Older Millennials don't show such a strong interest in tech shopping online, and they are more focused on apparel/fashion. They also seem to frequent a wider set of retailers online. They skew toward foodservice delivery (Seamless, GrubHub) and disruptive travel services (Uber, Lyft, Airbnb), as well as specialty retailers (Asos, J. Crew, West Elm, Victoria's Secret, Banana Republic, Sephora, Anthropologie, and Crate and Barrel). Older Millennials also show interest in purchasing fashion/designer (Gilt, Bloomingdale's, Shopbop, Hautelook) and unique artsy items (Etsy).

Older Millennials over-index on baby products, grocery and gourmet food, tickets and events, travel, and apparel and accessories. This shopping pattern reflects this segment's life stage needs (such as having children), a convenience orientation (like ordering food online), interest in experiences (like entertainment and travel), self-expression, and fun shopping experiences (like exploring apparel and accessories).

Gen X

Gen X shows a very different online buying focus, also largely reflecting life stage – for Gen X, life is dominated by family. Gen Xers over-index on photos and paper, toys and games, appliances, tools and home improvement, gift cards, and movies and TV. Compared to the other segments, Gen X shoppers spend relatively less on jewelry and

watches, tickets and events, and travel. One particularly interesting data point that will be understandable to anyone who sends photos of the kids to Grandma: Gen Xers spend a much higher relative share of their online spending than other segments on Walgreens photo services.

Compared to other segments, Gen Xers' online buying pattern is more shaped by apparel (Zulily, Old Navy, Gap, Gilt), footwear (Zappos), home (Restoration Hardware, Home Depot, Lowe's, Pottery Barn), and grocery (FreshDirect, Costco) purchases.

Overall, Gen Xers' online spending seems to focus on convenience, time saving, and selection, including for apparel and shoes, buying and replenishing necessities, and purchases for the family and home. However, there is also an interest in online shopping fun.

Boomers

Boomers' online shopping has a distinctly traditional feel, partly mirroring their offline shopping. Online spending skews toward department stores (Neiman Marcus, Sears, Saks, Macy's, Kohl's, etc.). Compared to the other segments, QVC accounts for a disproportionately high share of online expenses. Another sector that over-indexes with Boomers is travel services (Hertz, Booking.com, Avis, American Airlines, and United Airlines). Home improvement and interior design retailers (Home Depot, Lowe's, Pottery Barn, Restoration Hardware) and Costco are also among Boomers' favorite online retailers.

Compared to other segments, Boomers' online spending over-indexes on tools and home improvement, magazines, automotive, and pet supply purchases. On the other hand, Boomers under-index on baby products/toys, photos and paper products, tickets and events, grocery and gourmet foods, and apparel and accessories. This largely reflects life stage (the babies are all grown up), but it also reflects older consumers' discomfort buying some categories online (such as apparel).

Implications at retail

When we considered the implications of how the five "W"s interact, several insights emerged. In the interest of symmetry, we've organized those insights into the five insights below: While Boomers seem to seek out value by shopping at warehouse clubs, off-price stores, and mass merchants, they also over-index when it comes to buying necessities at off-price stores and purchasing apparel/accessories at warehouse clubs. Boomers also spend a higher share of their budget at restaurants.

When we combine Boomers' value and convenience (one-stop-shopping) orientation with their disposable income and resulting value as customers customer value, we see an opportunity for mass merchants, warehouse clubs, and department stores in particular. These retailers may want to expand the offering in categories Boomers shop and encourage cross-category shopping, including online.

Millennials embrace c- stores for convenience, as indicated by their over-indexing on gift cards and grocery items. Convenience stores may wish to leverage Gen Y's love of convenience by providing a great customer experience (like fast check-out) and offering products and services that appeal to this segment.

A number of c-store chains already have upped the quality of their foodservice offerings, and that has paid dividends. Wise chains may wish to expand into other categories that attract Millennials. There may be longer-term opportunities in adding items that Gen Y will buy as they age and start families, such as baby food and supplies.

Department stores could have potential with both Boomers and Millennials. The opportunity with Boomers could be in apparel, given the size/importance of the category with this segment. With Millennials, the opportunity could be in apparel and prestige beauty, especially as this generation ages and the pressures on disposable income change.

Millennials are particularly important for the long-term future of department stores. Here, too, there may be opportunities in looking ahead a few years and adding or expanding baby and toy departments.

Warehouse clubs tend to be more of a Boomer channel, but there could be potential with Gen X shoppers, who shop the channel mostly for groceries, by encouraging more purchasing of other categories.

For warehouse clubs to win over Millennials, they may want to improve the experience of warehouse shopping, looking for ways to [make the store a destination in and of itself](#) and speed up the check-out process.

For multi-channel retailers, online channels complement the offline experience, so it is important to build a strong offline experience to drive the online business. This holds true for younger consumers as their needs expand to new categories and their disposable income increases.

Multi-channel retailers also need to become more convenience-oriented as Boomers age. Boomers are often uncomfortable buying items online that they may have to return, such as shoes and apparel. Finding ways to make returns easier and refining the accuracy of apparel sizes will pay big dividends as Boomers age.

Learn more about Checkout Tracking. Contact The NPD Group at 866-444-1411 or email contactnpd@npd.com.

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