

# Retail Therapy

## Gen Y Considerations for the Retail Industry



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*The past eight years have seen strong consumer spending produce huge sales and profits for retailers. At present however, a slowing market, interest rate rises and increased petrol prices, have caused trading conditions to turn with numerous retailers struggling to maintain and/or accelerate growth. Others, in contrast, have been able to grow through innovation and drive. In order to thrive in what is a highly competitive industry, Australian retailers are developing strategies centred on the acquisition of weaker competitors, expansion into unrelated industries, establishing operations in international markets, and taking the necessary steps to better understand their customers. Ultimately, the future direction of Australian retailing will be determined by four major forces: changing consumer needs and preferences, changing Government policies and regulations, changing competitive structures, and changing technology (Walker, 2005).*

### **Gen Y: a retail opportunity and challenge**

Generation Y (Gen Y), also referred to as *Echo Boomers*, *Millenials*, *the Internet Generation*, or *Nexters*, are the cohort born between the years of 1977 and 1994. As a significant proportion of today's consumers, Gen Y offers the retail industry one of its greatest growth opportunities whilst simultaneously acting as one of its greatest challenges. The acknowledgment and exploration of Gen Y has undoubtedly been stimulated by the fact that 5.5 million Australians now fall into this category, representing approximately 25 percent of our population. By the year 2015, Gen Y will become the most significant retail spending group in Australia (JonesLangLaSalle, 2003).

### **Characteristics of Gen Y**

Socialised into consuming much earlier than previous generations (Bakewell & Mitchell, 2003), Gen Y exert the greatest influence on fashion and popular cultural trends, and are soon to become the most dominant demographic across those categories. With more choice than any other generation, Gen Y has been, and continues to be, growing up in a media-saturated and very brand-conscious world.

Compared to earlier generations, Gen Y consumers are optimistic yet realistic, and are both well educated and travelled. As the most ethnically and socially diverse cohort, Gen Y loathe stereotyping and demand to be treated as individuals. They are a generation addicted to change and constant activity.

Characterised and self-defined by the cues and messages extracted from their environment, Gen Y is also consumed by entertainment. Music, television, movies, advertising, computer games, the Internet, clubs, extreme sports, even mobile phone ring tones, all combine to form an entertainment web that revolves around, and ultimately caters to, the Y Generation (JonesLangLaSalle, 2003).

Socialised in a digital world, Gen Y is also extremely technically literate; they are continuously wired, plugged in, and connected to online and digital information, entertainment and contacts. Gen Y is also switched on, with 97.9 percent using the Internet weekly, 98.7 percent owning a mobile phone and 81.6 percent owning a digital camera (Smith, 2006).

Although there are many common threads that unite them, Gen Y as an audience is far more diverse and fragmented than earlier generations (Sokol, 2003). Managing Director of youth marketing agency, *Making Waves*, reiterates this; "There is a fine line between what's hot and what's not in the young adult market. The margin for error is very slim. If the creative is off at all with this demographic, it fails" (Marketing, 2005).

Acculturated into a materialistic and consumer culture more so than other generations, Gen Y has also experienced (first-hand) the proliferation of communication technologies, mass media and multinational marketing campaigns. As a cohort, they thrive on risk, edginess and humour and respond favourably to communications that cater to such factors. The success of *Virgin Mobile's* infamously uncool 'Warren' campaign and wannabe rapper '5CENT' campaign illustrates this. "In our campaigns we deliberately create unlikely heroes, like *Warren* and *5CENT*," explains Andy Mallinson, Virgin Mobile brand and marketing director. "These are certainly not the stereotype of our target market...in fact they are so far removed from it, that our audience is not threatened" (Marketing, 2005).

### **Gen Y shopping patterns and behaviour**

A notoriously fickle consumer segment, Gen Y characteristically demands the latest trends in record time and, as such, are turning the shopping experience upside down (McLean, 2004). According to Bakewell and Mitchell (2003), the Y Generation has been subjected to more targeted marketing programs and has been brought up with more retailing formats and product/brand choices than any other generation. Gen Y has also been acculturated into an environment that provides more opportunities and reasons to shop than ever before (Bakewell & Mitchell, 2003). The introduction of Sunday shopping and extended weekly trading hours are prime examples of this.

As consumers, Gen Y are independent, non-traditional and sophisticated, brand and fashion conscious, but not necessarily brand loyal (McLean, 2004). These consumers also have a wide-reaching social network that influences their buying decisions. Such vast networks are fundamentally changing the way in which they shop. Word-of-mouth influence no longer comes at a party or family gathering, but from a wide swath of members of their greater online network (Waters, 2006).

Gen Y has also been raised in an era where shopping is not regarded as a simple act of purchasing. For example, in a study conducted by Dias (2003), it was observed that most of Gen Y was inclined to shop with friends, spend more time browsing through stores and chatting, ultimately treating the experience as a social activity.

It is important to note, however, that the shopping patterns of Gen Y continue to be a work in progress. Many purchasing habits and shopping trends are only now being determined as the older members of the cohort enter their adult years (JonesLangLaSalle, 2005). They are also using different approaches in making choices compared to previous generations (Bakewell & Mitchell, 2003). In order to capture the elusive Gen Y, retailers need to understand and thereby cater to their unique decision-making styles and consumption patterns.

### **Gen Y spending habits**

Gen Y is fast emerging as a spending phenomenon that is quickly overshadowing the much smaller and often-forgotten Generation X (JonesLangLaSalle, 2006). Simply put, Gen Y is cashed up and willing to spend. In fact, they possess more than half of Australia's discretionary spending power (Smith, 2006). Having entered part-time or casual employment throughout secondary school and opting to remain living at home for longer, Gen Y are an attractive and lucrative market, especially given that they spend most, if not all, of their income (Dower, 2005).

The possession of money and thereby the ability to purchase more, can arguably be attributed to environmental factors, such as the increasing ownership of credit cards amongst Gen Y. This is evidenced by the steady increase both in the availability of credit cards marketed to young adults (eg. *Virgin Money's* credit cards available in a multitude of trendy colours on a silk background) and the rise in the number of retailers introducing their own store cards with interest-free periods (Bakewell & Mitchell, 2003).

In addition, due to the sheer amount of disposable income Gen Y possesses, marketers have made this consumer segment more aware of their own purchasing and spending power. Consequently, Gen Y consumers are likely to spend their cash as quickly as they acquire it. The significance for retail organisations lies in their physical outlets, which act as a common gathering place for Gen Y consumers and are therefore often the beneficiaries of a substantial portion of their money spent (Martin & Turley, 2004).

### **Implications for the retail industry**

The retail industry must proactively consider the characteristics, shopping patterns and spending habits of Gen Y when marketing to and interacting with them. This will allow retailers to create an environment conducive to gaining their trust and increased loyalty. The most significant implication for retailers is to establish relationships with Gen Y today, as children, teens and young adults, and then leverage those as the generation moves through successive life stages.

Retailers need to be aware that approaching Gen Y with retail strategies and tactics designed for earlier generations is a recipe for failure. Gen Y are a very unique generation, brought up with different values and new priorities. They are a very difficult group of consumers to reach because they are well-educated, inquisitive and marketing savvy (Turk, 2006). It is important for retailers to remember that for Gen Y, it is ultimately about instant gratification and getting what they want today (Marketing, 2005). For marketers and communicators in a retail environment, this creates implications for the way in which strategies are developed and implemented.

Following are some important Gen Y considerations:

- Flexibility is vital. Faced with a generation whose buying patterns may shift quickly and continually, a need exists to develop and maintain flexible strategies that are responsive to constant change. With retail concepts hot today and not tomorrow, retailers also need to be thinking about building long-term relationships with Gen Y clientele today (Sokol, 2003).
- For Gen Y, there exists little reliance on mainstream media; rather word-of-mouth is the most powerful promotional tool. For example, clothing companies now increasingly hire car parks and warehouses to hold one-off, end-of-season clearances. Such sales receive high levels of foot traffic although they are never advertised in mainstream media. Rather, word is spread via flyers, websites and online blogs (Smith, 2006).

- As a critical consumer group, Gen Y do not like a hard sell and despise traditional advertising. It is important to maintain ‘edginess’ with key messages and minimise the generic formula for advertising. Celebrity testimonials, loud and quick visuals, and advertisements that reflect the Gen Y lifestyle and core values in humorous and emotional ways, will appeal to Y Generation consumers (Morton, 2002).
- The intersection of e-commerce with Gen Y’s technological comfort and skill levels can potentially create a challenge for retail organisations. This is reflected by the fact that the number of online purchases, primarily for female apparel, is continually growing. Retailers should also be aware that Gen Y consumers are far more comfortable shopping online if an avenue exists to return merchandise to a ‘bricks and mortar’ store (JonesLangLaSalle, 2003).

A study undertaken by JonesLangLaSalle (2003) on Gen Y and the future of Australian retailing revealed the following additional implications for retailers:

- Retailers will have to change with, or even *anticipate* the changing needs and preferences of Gen Y to remain competitive.
- From an early age, Gen Y has been immersed in a materialistic and consumer culture. In the process, members have learned to expertly filter out “noise” and are increasingly sceptical about much of the information directed at them. For retail marketers, this means that the time available to shape buying *demand* is much shorter than in the past.
- A consistent, ongoing need exists to *segment* the population of Gen Y consumers in ways that acknowledge and address the fact that this segment currently ranges in age from 12–29 years of age. This will allow for marketing programs to be customised accordingly.
- Gen Y merchandise needs to be ever evolving to appeal to a generation that thrives on change. However, change should not appear to be made merely for the sake of change, or retailers may run the risk of being deemed untrustworthy. Retailers need to deliver to their customers’ expectations, even as those *expectations* are constantly evolving.

The ultimate implication is that retailers will have to learn to be more comfortable with increased levels of risk and uncertainty, expecting that their best-intentioned plans or strategies may need to be amended or even scrapped to suit and adapt to the changing nature of Gen Y.

## **Roadmap for capturing Gen Y**

### **Step 1 – Identify and research**

Begin by viewing Gen Y as a ‘desired audience’ rather than a target market. Instead of relying on conventional demographic tools, retailers are better off thinking of this cohort as a collection of different psychographic groups, each with its own motivations and preferences (Sokol, 2003).

### **Step 2- Respect ‘individual superstars’**

Shift perceptions by viewing Gen Y as they think of themselves – ‘individual superstars,’ who want it all and want it now. To succeed, marketers and retailers must adapt their communication to a mindset that is acutely ego-driven (Bottay, 2005).

### **Step 3 – Engage through entertainment**

Marketing, advertising and related communication to Gen Y should not be solely product-based, rather communication should strive to give more. Creative executions should reflect the perceptions and desires of the cultural segment, as well as being funny, witty, relevant and ironic. For example, marketers may choose to first convey the message interactively via specific channels (i.e. friends, street media, venues, online) – then go mainstream. Furthermore, online advertisements can easily be produced, and then circulated to like-minded consumers virally by the centre’s or retailer’s specific audience (Bottay, 2005).

### **Step 4 – Experiential marketing/ retailing**

Experiential marketing is a live interaction between a brand and a consumer that is sensitive to the brand’s values, has an impact, is memorable and is capable of generating a lasting positive relationship with Gen Y (Back, 2005). In fact, creating real in-store experiences can be one of the most effective ways to capture Gen Y consumers. A memorable and unique experience can create a bond and awareness long after the activity has ended (Dower, 2005).

### **Step 5 – Store atmospherics**

The measure for ambience is composed of elements of music, music volume, lighting, colour, temperature, layout/design and merchandise presentation. Retailers should utilise different elements of the environment to appeal to, and thereby increase patronage of Gen Y consumers (Kaltcheva & Weitz, 2006).

### **Step 6 - Street credibility**

Street-based media can be a crucial tool when attempting to communicate with Gen Y. By utilising specialist, niche and fringe media (such as *In-Press* or *Vice*) marketers can allow for the use of culturally appropriate language, acknowledgement of specific desires and motivations, whilst ultimately creating effective call-to-action messages, coupled with appropriate brand building strategies (Bottay, 2005).

### **Step 7 – Intrinsic motivation**

According to Bottay (2005), the most effective way to action behaviour is to engage Gen Y via intrinsic motivation. Marketers and retailers should ensure that all communications are relevant to life experience and are implemented for their inherent purpose and interest.

Ultimately, today's most creative strategy, tactic or approach for marketing and retailing to Gen Y will inevitably need to be revitalised tomorrow and replaced the day after. Retail organisations that prove to be most able, adaptable and agile in breaking into the world of Gen Y - capturing their true essence - will be the ones most likely to succeed in the competition for future customers and profits.

#### **About the author**

As a member of Generation Y herself, Simone is a Monash University graduate with a double degree in Business and Commerce and Communication, specialising in Public Relations and Journalism. She has recently been awarded the Top Student in a Public Relations Major 2006 and received a Dean's Recognition Award in 2006. Simone's career experience to date has included developing and implementing a communications campaign for Peninsula Health and the completion of a Marketing Internship with Centro at The Glen. It was during this internship that Simone developed a particular interest in Gen Y as a powerful and influential consumer group and the opportunities and challenges that they present now and in the future.



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- Management development programs
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The ACRS builds skills, knowledge and understanding at all levels of management from first line appointees to CEOs; because of its unique retail focus the Centre offers advantages over other general management training providers.

## Enquiries

Please contact us if you have any enquiries about Retail Therapy or the centre itself. Also if you would like further information about this paper or contributing please feel free to contact **Jeff Rogut**.

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