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RESEARCH

Segmenting millennials allows for more appropriate marketing strategies

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Affluent millennials

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The millennial generation is too diverse and broad for marketers to avoid segmenting, according to a new report by The Shullman Research Center.

Consumers born between 1981 and 2000 are considered millennials, meaning that people as young as 15 and as old as 35 (34 at the time of the survey) comprise the group. Because that 20-year gap is particularly profound in the early stages of life, marketers need to segment millennial consumers into specific groups to take advantage of particular habits and beliefs.

"The term [millennial] is useful as a general way for marketers to identify the marketplace by age segments," said Bob Shullman, founder/CEO of The Shullman Research Center. "However, the only ones who can market to the entire generation, all 73 million adult millennials (18+), have to be in the consumer package goods businesses because until an adult reaches 25 years of age (and most likely 30), a large percentage effectively has little buying power."

A representative sample of 1,690 consumers was surveyed and 1,078 interviews with consumers with household incomes of at least $75,000 were interviewed for “The Millennial Generation – Different in Many Ways.” The resulting data gives insights into the goals, concerns and income and other demographic data of millennials as it relates to their age.

Not that kind of millennial
Thirty million people in the United States are between the ages of 18 and 24, compared to 22 million between 25 to 29 years of age, a slightly smaller group of 21 million millennials over 30. A relatively small group of 13 million is 15, 16 or 17 years old, but the limited buying power of the teenagers makes them less significant to marketers.

For the purposes of the report, millennials are segmented into the aforementioned age groups, with the 15-17 year old demographic discarded.

Millennials are often seen as being young, unmarried and without kids, as only 31 percent are married compared to 55 percent of adults overall. However, millennials actually have children under the age of 18 living at a higher rate than all adults – 38 percent compared to 34 percent – and those between the ages of 30 and 34 also exceed the national marriage rate slightly.

Luxury shoppers

One unifying trend is that millennials tend to have higher levels of education, with those aged 25 to 29 even outpacing their older millennial counterparts. If the trend continues, it follows that subsequent micro-generations will continue to value higher education.

The household incomes of millennials compared to all adults is negligible, a fact attributable to the fact that a good number live with their parents. On the personal level, incomes are lower than national averages, but the 30-34 segment matches the general adult population in wealth.

"My hypothesis is that adults' concerns tend to be based on where such adults are in their own lifecycles," Mr. Shullman said. "Once they are married/partnered/living together, which is happening on average much later now, lifestyle changes materially once a child arrives.

"Until that time, most adults are not really tied down, so when I look at millennials who have kids in their late 20s or early 30s, they actually look a lot like and behave their parents and have goals and concerns that are rational in my estimation."

By marketing to millennials as a single segment, marketers conflate married and single people of varying ages who have very different concerns and varying levels of purchasing power. Reaching out broadly to millennials therefore misses important segments of that market that may have purchasing power, or else combines traits of disparate micro-generations and may miss reaching any group.

Advancements in digital technology allow marketers to segment young consumers more specifically according to age, marital status and income. In this way, advertisements and promotional efforts can be targeted and specific, a move that will likely save money and increase conversion rates.

Affluent couple; image courtesy Michael Kors

Indeed, the 30-34 segment is also considerably less concerned about an economic recession, with only 11 percent naming it as a worry compared to 24 percent of 25-29 year olds, 29 percent of 18-24 year olds and 28 percent of adults overall. This could be because that older millennials may have well-paid and secure jobs, but not necessarily the investments that would be impacted by a recession.

Instead, the segment is more worried than any other group about the value of the dollar against international currencies and especially inflation. Twenty-six percent of 30-34 year olds are worried about the value of the dollar compared to 17 percent of millennials overall and 14 percent of all adults, and 30 percent worry about inflation, compared to 16 percent of millennials and 23 percent of all adults.

On the other hand, only 10 percent of respondents in the group expressed a concern for social inequality and poverty, compared to 15 percent of adults overall, 17 percent of those aged 25-29 and 26 percent of those between 18 and 24. The same is true for climate change, which was a concern of 21 percent of 25-29 year olds but only 6 percent of those aged 30-34.

For the millennials in their 30s, however, these financial worries are mostly tied to a desire to pay for their children's college and meet daily expenses. The desire for fun or a challenge and to be become rich is much lower among this group.

Taken in conjunction, these findings suggest that marketers may fare better creating desire among 20-somethings and especially those 18-24, as that group most wants to become rich and attain financial independence. Luxury brands that have traditionally served as status symbols serve as symbols for those desires, so forging and maintaining that relationship now will pay off in the long run as these 43 million consumers gradually accrue wealth.

Affluent family

Those same consumers are the ones most concerned with social inequality, climate change and other related factors, suggesting that brands hoping to make an impression on need to continue ethical brand initiatives and experiences. Such consumers tend to be reached more readily through social media channels

However, older millennials are likely less susceptible to these marketing tactics, as are those with children.

“Adults’ propensity to buy luxury – especially goods, not necessarily services and cars – does decline when one ages as it’s at its lowest level right now among the seniors,” Mr. Shullman said. “Why? For many, they tend to have everything they may want or need, plus many are then focused on their retirement."

Although older millennials may not have everything they need, a decreased desire of becoming wealty or partaking in challenges and experiences in favor of maintaining a higher standard of living makes them less prone to purchase luxury products. Those with children who are worried about putting their own kids through college or about the health of parents and other family members will also be less susceptible to the same initiatives that may work on millennials 10 or 15 years younger.

The future of luxury

With luxury in something of a drought right now, proper understanding of demographic data and the relationship between age and purchasing power can help marketers understand who to target.

With retail sales flatlining, brands must appeal to a new demographic to sustain growth and forge relationships with the next generation of ultra-affluent customers, according to a senior executive from Unity Marketing at the Luxury Retail Summit: Holiday Focus 2015 on Sept. 16.

Specifically, high-earners not rich yet (HENRYs), especially HENRYs aged 44 and younger, may save luxury from its current drought. Appealing to HENRYs and aspirational millennials, however, means brands will have to retell the story of luxury and market in new ways (see story).

However, looking beyond simple demographics and instead profiling consumers individually offers an even better chance of ensuring ads and other marketing messages do not go unnoticed or unwanted.

Within the next five years, 53 percent of retailers plan to implement systems that will enable them to identify consumers when they enter the store, an 883 percent increase over the 6 percent who already have these capabilities.

One means to identifying the consumer at the start of her store visit is location-based services, which can be anything from WiFi to Bluetooth-enabled beacons. These are a relatively new idea, having become commercial after the launch of Apple’s 3G iPhone and smart Android devices in the early aughts (see story).

“Everyone has his/her own concerns,” Mr. Shullman said. “Just as we cannot lump all millennials into one target group, I don’t believe marketers can wait for people to change, because we cannot accurately predict if and when they will change.

“This is one reason why micro targeting through digital means is so powerful, as the waste reaching ‘interested’ targets is much smaller.

“Also, micro targeting is about the one percenters (not the high wealth/high income ones), i.e. each 1 percent of adults in the U.S., representing about 2.4 million adults. With today’s databases, a marketer can conceptually target prospects thousands of ways—digitally.”