

RETAIL

Consumers most likely to splurge on experiential purchases

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Consumers are likely to splurge on dining. Image credit: Palace Resorts

By SARAH JONES

While consumer behavior varies across generations, individuals of all age groups are united in saying that their splurges are typically tied to categories such as dining and travel.

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A new report commissioned by 5WPR finds that while experiential buys inspire consumers to dig deeper into their wallets, shoppers will also pay more if they know that a product is going to give back to charity. For luxury brands, attracting shoppers for high-end goods will require a mix of values, monetary value and experience.

"Research shows that consumers across all age groups are more likely to splurge on experiential categories, which doesn't lend well to high-end retail," said Ronn Torossian, founder/CEO of **5WPR**.

"This means that tapping into the emotional needs for this category is more important than ever," he said. "Telling stories, visual or otherwise, about the experiential value of a product could help bridge the gap.

"For example, how finding the perfect dress for the holiday party led that person to have the best night ever."

The report is based on a survey of 1,001 U.S. adults by MARU/Matchbox.

Spending tendencies

Millennials, which the report defines as consumers between the ages of 18 and 34, are most apt to care about the values of the companies they buy from, with 83 percent considering it important that they have similar ideals.

This age group is also more likely than their elders to have bought an item that portrays their beliefs, and two-thirds of millennials have boycotted a brand over its position on an issue.

Seven in 10 millennials say they are more apt to buy something pricier if it will give back to charity. Additionally, 67 percent consider a charitable component to be an important factor when they are making purchasing decisions, compared to just half of Gen Xers and 30 percent of baby boomers.

Convincing consumers to splurge on goods can be a challenge, since much of that indulgent spending has shifted towards experiences. Millennials are most apt to shell out more money for travel, while dining is the number one

splurge category for Gen X and baby boomers.

Millennials are the group that is most likely to say that their favorite purchases are the ones they saved for, with 84 percent agreeing with that statement. Nine in 10 millennials also say that they watch sales for items they are interested in buying, and about eight in 10 keep wish lists and revisit them multiple times before pulling the trigger and converting.



Consumers often revisit an item before buying. Image credit: Radial

However, while millennials show a greater tendency than average towards delayed gratification, they are also the segment that is most likely to make impulse purchases.

Eighty-two percent of Gen Y shoppers will buy an item the first time they see it, and 64 percent report being prone towards impulse purchases. Comparatively, only 65 percent of baby boomers report that they will buy immediately, and only 36 percent of those 55 and older say they often make impulse purchases.

A report from First Insight also found that millennials are slightly more likely to add extra items to their carts online and in-stores, with 87 percent in the U.S. saying they sometimes or always do. Eighty-six percent of Gen X consumers say the same, as well as 78 percent of baby boomers ([see story](#)).

With millennials' tendency towards impulse buying, 5WPR's research found they are also the most apt to report having regrets about purchases.

Across all age groups, more than nine in 10 consumers say that they feel they have made a good purchase decision when they get a lot of use out of a product.

"Millennials are more likely to make impulse purchases than any other age group, both in-store and online," Mr. Torossian said. "Retailers can use this to their advantage by indulging the splurge mindset and validating that even something bought on a whim can become a favorite."

Influences

Unsurprisingly, the report found that millennials are the most avid social media users. However, this generation was unexpectedly most active on Facebook over other platforms such as Instagram, YouTube, Snapchat and Twitter.

Along with being susceptible to impulse buys, millennials are more apt than older consumers to be influenced by external sources.

Even with the active user base on social media, word of mouth is the most compelling influence across all age groups, followed closely by customer reviews. Consumers also report being swayed by online ads and blogs.

Influencers come in behind these other channels, with Instagram, Facebook and YouTube personalities ranking higher than celebrities.

Among consumers who say they have been influenced by Instagram, the greatest percent say that they are influenced by individuals they know personally. The report also finds that almost all of those who are influenced on Instagram will take some action in response to a post they like, whether clicking on an ad or sharing a product they saw with a friend.

When it comes to discovering trends, Gen X and baby boomer clientele rank mainstream media higher than social media, whereas millennials are more apt to look towards social media platforms for inspiration.

While traditional advertising still works, particularly for older customers, placements such as a newspaper or magazine story or an influencer post are proving more effective than standard media buys.

Social media is inherently a communal network for affluent consumers, opening up opportunities for brands to engage consumers in a two-way dialogue.

About nine in 10 affluents are active on social media, and one in five say they communicate directly with brands through platforms such as Facebook and Twitter. During an Ipsos webinar, an executive noted that while brands have the chance to influence consumers via their feeds and direct communication, affluents say that the people they know in real life hold the most sway ([see story](#)).

"We found that an omnichannel approach is imperative to attracting and retaining customers," Mr. Torossian said. "When it comes to public relations, our research shows that stories about a product in the news, magazine or newspaper still remain the most impactful in making purchase decisions compared to traditional advertising.

"Secondary to that, we found that 94 percent of people influenced by Instagram have taken action to either purchase or investigate an item seen on their feed," he said. "Lastly, we found that 68 percent of millennials, and 54 percent of Gen Z, Gen X and Boomers, still prefer finding new products in store to finding them online, proving that retail is far from dead."

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