



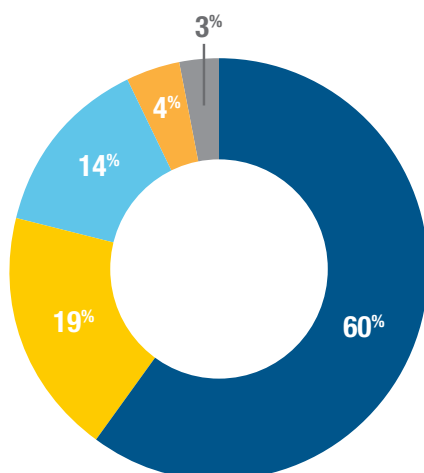
IN THIS ISSUE: Shopping Habits

In our paper “Demographics Impact Retail Property Investment and Management,” we looked at the various demographic strata and explored their shopping habits. In this paper, we delve further into the shopping habits of Millennials, that cohort generally viewed as ranging in age from 15 – 33. We find that while there are indeed many differences from how their parents (the Baby Boomers) shop, there are also surprising similarities.

Among our conclusions:

- Millennials love to shop
- Nearly 80% buy in store after researching online
- Prefer to shop “local”
- Favor “responsible” retailers
- Spend on quality, even if that means buying less
- The experience is a major driver
- Pets rule
- The ultimate experience - travel

Who are the Millennials? Millennials are often also referred to as “Gen Y.” Most frequently, this group is considered to be the children of the Baby Boomers. They were born between 1982 and 2000.¹ Millennials are 80 million² strong slightly larger than the 76 million Baby Boomers.³ According to the General Foundation⁴ of the US Chamber of Commerce, only 60% identify as non-Hispanic Caucasian. Some estimates are as low as 57% compared to the 1980 census when 79.6% of the population identified as non-Hispanic White.⁵



RACIAL MAKEUP OF MILLENNIALS

US Chamber Foundation

- Caucasian (non-hispanic)
- Hispanic
- Black
- Asian
- Mixed Race or Other

Millennials currently make up 25% of the workforce and are estimated to increase to 46% by 2020 and 75% by 2025.⁶ Estimates of Millennial purchasing power range widely between \$125 Billion and \$890 Billion. This huge discrepancy is largely due to the inconsistent views of direct spending versus indirect spending, mostly done by their parents for their children's benefit. This spend is projected to grow to \$1.4 trillion by 2020.⁷

Employment levels differ among Millennials more than other cohorts (dependent upon multiple factors). College educated Millennials show high employment levels, with average earnings of \$34,500 offset by average student loan loads of \$30,000.⁸ Non-college educated Millennials experience much higher unemployment levels than for the college grads.

Shopping Habits

85% of Millennials indicate that they either “love to shop” or “enjoy” shopping.⁹ Shopping is seen as a form of entertainment and is often done as a group activity. Social networks drive shopping activity whether through ratings from their peers, Facebook posts, Twitter coupons and the like. This is especially prevalent among Millennial Moms¹⁰ who put great weight in what other Moms say as they seek the best for their children.

The Millennial group has the highest affinity for shopping “local”¹¹ of all age cohorts. 50% of Millennials indicate that they would drive less if other options were readily available.¹² Therefore there is a strong desire to support the retailers in the community and those easily accessed by public transportation. This phenomenon leads many Millennials to want to live, work and/or shop in transit oriented multi-use developments. The growth of car share options such as Zipcar and ride share services such as Uber provide transportation options when public transportation is not available. Costco and Zipcar recently teamed up to provide prepaid Zipcar cards at a 20% discount to regular pricing (furthering Costco's reach to those without cars). Zipcar has cars available at several NYC area Costco locations to make shopping easier for those without their own cars. This combination has proven effective marketing for both Costco and Zipcar.

Millennials show a strong propensity to shop at socially responsible retailers, such as Tom's Shoes, Warby Parker and Whole Foods.¹³ These retailers provide guidance as to ways to attract the Millennial shopper, with one important example being to give back to the community (which may be defined very broadly).

Millennials grew up with the internet and their mobile devices. They use the internet to become a wiser consumer. 77.1% say they research online before buying in stores,¹⁴ significantly greater than the 60.5% of all consumers that research online first. 58% of Millennials indicate that they often “showroom” i.e. browse in the store and then buy online.¹⁵ A majority indicated that they use their mobile devices to research and compare products while in a store. Ironically, only 25% of Millennials say they seek the best deal online¹⁶ as compared to 33% of all adults. This seems to further support the idea of the internet being a place to research and stores, particularly local, being a place to buy. 92% of Millennials are influenced by availability¹⁷ of an item and prefer not to wait for an item to be delivered or to come into the store.

A vast majority, 89%, say that the economy is impacting their spending. Nevertheless they are prepared to splurge for what they deem special, whether a special meal, electronic gadget or sporting event.¹⁸ Food is not just for sustenance, it is part of a lifestyle. Nearly half of Millennials describe themselves as “foodies”.¹⁹ Food is part of their personal story; they share their experiences on Instagram, Twitter and other forms of social media. Trying new places is part of the experience. Millennials spend more on alcohol than others and are second only to Gen X on their coffee spend.²⁰

Grocery shopping patterns seem to be quite different among Millennials than other cohorts. They tend to prefer healthier foods, fresh produce and fresh prepared foods and are much less likely to purchase frozen items.²¹ They tend to shop for one or two days rather than the full week, although they acknowledge loving to stock up at Costco.

They are willing to shop at multiple stores for their food rather than at one store, such as a supermarket.²² Food is seen as a form of entertainment,²³ regardless of whether this means going out to eat or cooking in. Millennials were estimated to have spent \$438 billion eating out in 2013,²⁴ a 6% increase over 2012.

Apparel tends to be a big spending item for many Millennials. They would prefer to buy less of what they really like that costs more than to spend less on each item but get more things. Natural fabrics, cotton and wool, are more popular than synthetics. Clothing that won't go out of style is more popular than trendy clothes.²⁵ Discounts stores are far less appealing to them than to their parents. The retailer who understands their style will become their "go to" store. 80% of the group indicated that they prefer to shop in the store for clothing rather than online.²⁶

Pets and pet supplies are a fast growing category for the Millennials. Pets are replacements for children often times for the Millennials who are delaying starting a family.²⁷ Designer dogs and rescued animals are the fastest growing types of pets. The Millennial pet owner is spending money on items for their pets that are important to them. The "foodie" tends to purchase gourmet pet food. The gluten free Millennial favors gluten free dog food. Pet clothing and costumes are big sellers to the young pet owner.²⁸

A growing budget item for the Millennial is travel. The Millennial that is traveling is spending more per day than other age groups. Travel is more exotic than their parents tended to be. This translates to significant spending on the travel itself as well as travel supplies including luggage, clothing and other accessories. This has led to an increasing number of travel agencies, luggage stores and other retailers in the city neighborhoods where the traveling Millennial lives.²⁹

Malls should not be written off. They are gaining favor with Millennials. In past years, Millennials indicated that they preferred to avoid malls; but Christmas 2014 demonstrated a great acceptance of malls for a number of reasons. Malls allow the shopper to take their purchases with them thereby avoiding the UPS and FedEx issues of Christmas 2013. Many malls offer gift wrap services, a time saver. Christmas 2015 sales increased by 7.5% according to Master Card. Online retailers are opening brick and mortar stores, often in malls. Retailers opening stores in malls include: Athleta, Piperlime, BaubleBar, Rent the Runway, Boston Proper, Bonobos, Warby Parker, Birchbox, Just Fab and Frank & Oak. These factors combine to raise Millennials acceptance of their parents' mall.

The Millennial cohort will continue to increase in importance to retailers. Both the retailers and the shopping center owner must seek to attract this group and make their offerings appealing to the age group. Their immense buying power makes them too big to ignore.

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¹ The exact timeframe varies depending on the researcher from as early as 1980 to as late as 2002.

² “Who are the Millennial Shoppers? And what do they Really Want?”, Christopher Donnelly and Renato Scaff, Accenture Outlook, 2013

³ 2010 Census, US Census Bureau

⁴ “The Millennial Generation Research Review”, General Foundation of the US Chamber of Commerce

⁵ 1980 Census, US Census Bureau

⁶ “The Millennial Shopper”, Merchant Warehouse, 2014

⁷ “Who are the Millennial Shoppers?” Accenture Consulting, 2016

⁸ Business Week

⁹ “Generation Y: Shopping and Entertainment in the Digital Age”, M. Leanne Lachman and Deborah L. Brett, Urban Land Institute, 2013

¹⁰ “How Millennials are Shopping: 20 Interesting Statistics & Figures”, Brian Honigman, Medium.com

¹¹ “Millennials - Breaking the Myths”, Nielsen Company, 2014

¹² DHM Research as quoted in :Rail-volution Recap: The Power of Millennials and Transit Planning in the Twin Cities, thelinemedia.com, October 15, 2014

¹³ Ibid note viii

¹⁴ “Do You Know Your Customers? The Truth Behind Millennial Shopping Habits”, Samer Forzley, Pythian.com, 2013

¹⁵ Ibid

¹⁶ “Millennials Less Likely to Change Spending Habits Because of Economy”, Kathy Grannis, National Retail Foundation, 2013

¹⁷ Ibid note xi

¹⁸ Ibid note xiii

¹⁹ “Millennials: Eating Out of Both Sides of Their Mouths”, BBDO Atlanta, August 2013

²⁰ “Study” Massachusetts Millennials Tops in Alcohol”, CBS Boston, July 29, 2014

²¹ “Out with the Old, in with the New”, Retail Shop Topic, JLL, 2014

²² “Recasting the Retail Store in Today’s Omni-channel World”, Michael J Brown, Nillam Ganenthiran, Daniel K Farmer, AT Kearney, 2013

²³ “2014 Holiday Outlook, Top Trends, Consumer Behaviors, and Implications for Retailers”, Steven J Barr, Thom Blischok, Byron Carlock Jr., PWC, 2014

²⁴ Mintel Group Ltd., as reported in Crain’s Chicago Business, July 31, 2014

²⁵ “Millennials’ shopping habits are reshaping the Retail Industry”, Eric Fowle, 2015

²⁶ “New Retail Strategies Tap Millennial Spending Power”, RED News, May 21, 2014

²⁷ “The Changing Face of Pet Ownership”, petbusiness.com, September 1, 2013

²⁸ Ibid

²⁹ “Millennial spend outpaces boomers, Gen X”, Hotel News Now, September 22, 2014

³⁰ “Inland” refers to some or all of the entities that are a part of The Inland Real Estate Group of Companies, Inc., which is comprised of independent legal entities some of which may be affiliates, share some common ownership or have been sponsored and managed by Inland Real Estate Investment Corporation or its subsidiaries.

³¹ Includes all property types, not solely retail.

³² Statistics as of June 30, 2014.

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