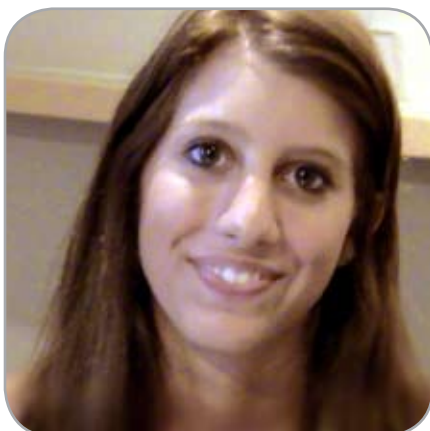


DECODING THE DIGITAL MILLENNIALS

Large in number, huge in influence



The biggest generation ever in terms of sheer size is making its influence felt in nearly every category of commerce and culture. Currently on par with the baby boomers at 82 million members, this group will swell to over 100 million by the time immigration is taken into account. For this reason and a host of others, millennials are fundamentally changing shopping and how goods and services are sold and purchased.

DON'T CALL ME Y

Commonly referred to as Generation Y, the label is rejected by this upbeat and positive group who doesn't want the association with its predecessor Gen X, who they see as rebellious and jaded. Digital millennials were born between 1982 and 2000. We've called them "millennials" because the first wave graduated high school in 2000 and "digital" because they were figuratively born with a keyboard in their hands.

Digital millennials hold tremendous spending power. While no consensus has emerged yet, most estimates suggest their total spending power is at least \$200 billion annually. The primary barrier to getting a true read on their spending is the limited access they possess to actual methods of payment. A retailer may clearly know that they have 16-year-old customers, but the data says that the credit card belongs to a 44-year-old, for instance. Research indicates that 15-17% of total spending power online, but much of this group shops online yet buys in-store.

GROWING UP AS TECHNOLOGY DOES

This generation was born in the midst of escalating computing advances and electronic device proliferation. The computer got personal before most of this group was even born. In quick succession, cable TV exploded, the

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METHODOLOGY

Research Partner:

- JupiterResearch

Quantitative data review and analysis:

- Harris Interactive
- Forrester
- MTV

Relevant topical books:

- *Millennials Rising*, Neil Howe, William Strauss, and R.J. Matson
- *Millennials and the Pop Culture*, William Strauss and Neil Howe
- *Generation Me*, Jean M. Twenge
- *Everything Bad Is Good For You*, Steven Berlin Johnson

Our study participants:

- Between 14 and 24 years of age
- Online 10-plus hours per week
- Used a mobile phone at least 30 minutes a day
- Sent between 6 and 10 text messages or instant messages a day
- Participate in social networking
- 72 millennials over an eight-week period
- One-on-one interviews of nearly 2.5 hours in duration
- Met specific race, gender, spending pattern and geographic distribution profile

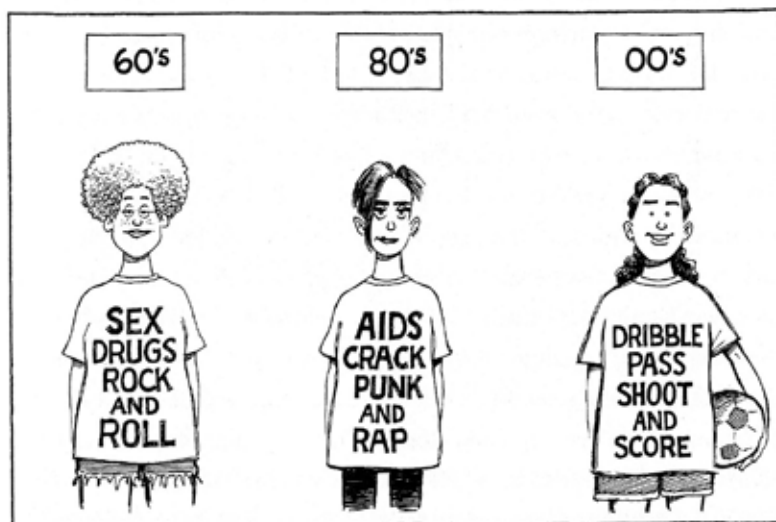
Our strategy team studied:

- How they use technology
- How they communicate
- How they make decisions.
- Participants were given web-cams
- They received text-message questions each day for ten days
- They captured their responses and uploaded them online daily

internet was commercialized, email became popular, the mobile phone went mainstream and MP3 files were created.

As a result, digital millennials not only value connectedness, they are defined by it. They consume huge quantities of media—as much as 20 hours of media in a seven-hour period, *MediaWeek*, June 21, 2006.

HOW THEY CAME TO BE



R.J. Matson, Strauss & Howe, *Millennials Rising*, 2006

Every generation is defined by different beliefs, circumstances, value systems and life events. Boomers of the 1960s were free-thinking and focused on liberation. Generation X'ers largely grew up in the 1980s and were all about rebellion and individuality. They were the latchkey kids who were on their own as their parents pursued careers. Millennials are a breed apart. This is a well-scrubbed group of achievers—their SAT scores are on the rise, their pregnancy rates down.

A coddled generation, millennials are wanted children. In the early 80s we suddenly found children to be the “badges” proudly sported by their parents. “Baby on board” signs, minivans, and the explosion of infertility treatments signal that children were in demand. Twenty years earlier, children were to be seen and not heard. Ten years prior, children were getting in the way of the women’s liberation movement. By the 1980s, people were choosing to start families and their children became the central figures within the household. An industry of catering and marketing directly to children was born as these kids were exposed to the arts, literature and technology—in short, indulged.

STATISTICS

This generation grew up online

86% of millennials use the internet, will reach 90% by 2011, **JupiterResearch**.

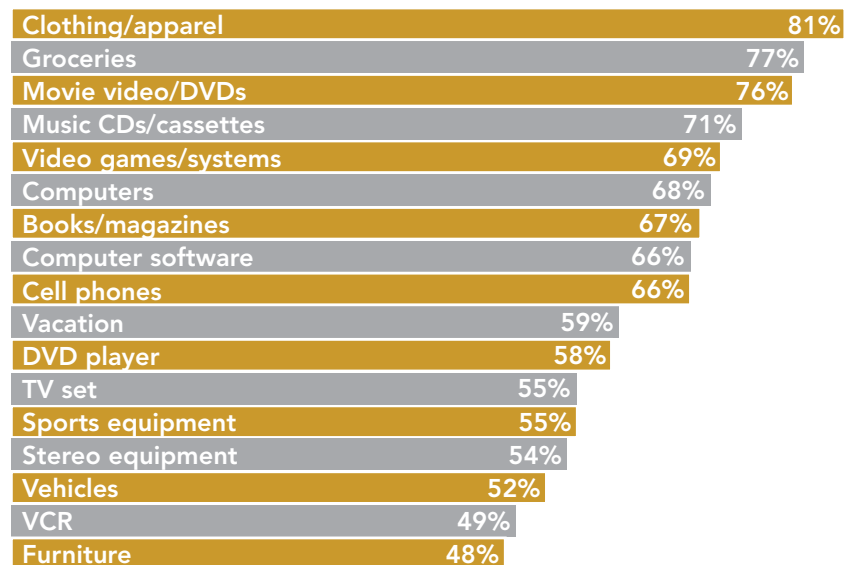
Effectively, they have never known a world without the internet, **AdAge**. Even the first wave of millennials, were quite young when the internet was commercialized in the 1990s.

Millennials have had the ability to email the President of the United States since first grade, **Information Outlook** magazine.

They were also born into an unprecedented era of prosperity. There were two short recessions, each just a few months in duration, during their lifetimes. They, as a group, have never had to deal with want—they have never done without.

They were treasured from conception and fully participate, from a very young age, in the decisions of the household. But the big story is not what they buy—it's all the influence they have on the total purchases within a household. They influence everything from the category of clothing that you would expect to interest them to the cars adults buy and the vacations a family takes. They should be viewed as co-purchasers for nearly everything purchased within a household, from 81% of apparel and 52% of vehicles, **Harris Interactive, 2006**.

INFLUENCING HOUSEHOLD PURCHASES



Harris Interactive, 2006

T.E.A.M. – TOGETHER EVERYONE ACHIEVES MORE

This is the era of no losers—only the winning-challenged. Millennials have only known reward—even for just participating. They have received four-foot trophies for coming in sixth. Millennials have been taught that they are special and valued unconditionally. They have been told “I love you” more than any other generation. Concurrently, indulgent parenting was not the only reason for millennials’ precocious sense of accomplishment; collaborative learning began to overtake the incumbent competitive learning system in schools. Though this bred a sense of fairness, it also reinforced attitudes of entitlement. Little patience for waiting to get what they want emerged.

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MEET THE MILLENNIALS

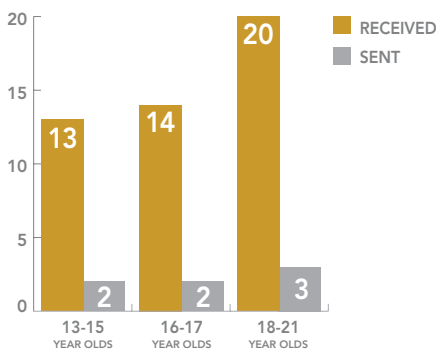
We have uncovered five defining traits.

1. PERPETUALLY CONNECTED

Texting. Instant messages. Podcasting. MySpace. Facebook. Gaming. This group stays connected.

They are online. A lot. Up to three hours a day for older millennials and an hour for younger millennials. This group routinely does homework online, shops, views personal web pages and blogs. The mobile phone is this group's lifeline. Eighty-one percent of teens either own or use a mobile phone and they rarely turn this device off. In addition, they don't delineate between marketing channels as they see all media channels as having expanded and converged. Communication is all the same.

EMAIL USAGE IS FLAT—NOT PREFERRED



Harris Interactive, 2006

To a millennial, email is a communication format of last resort and for "old people" like parents and teachers. While they receive large numbers of email, they send very few. While older people speak of emailing a friend, a millennial would likely say, "I facebooked her." The online social network is pivotal in how they communicate and view their circle of "friends."

Millennials let everyone into their world. While they have a small close circle of three to five friends, their lives include a larger social tribe (5-25), dozens to hundreds of online friends, and tens of thousands of "friends" that are tied to them via their online social network.

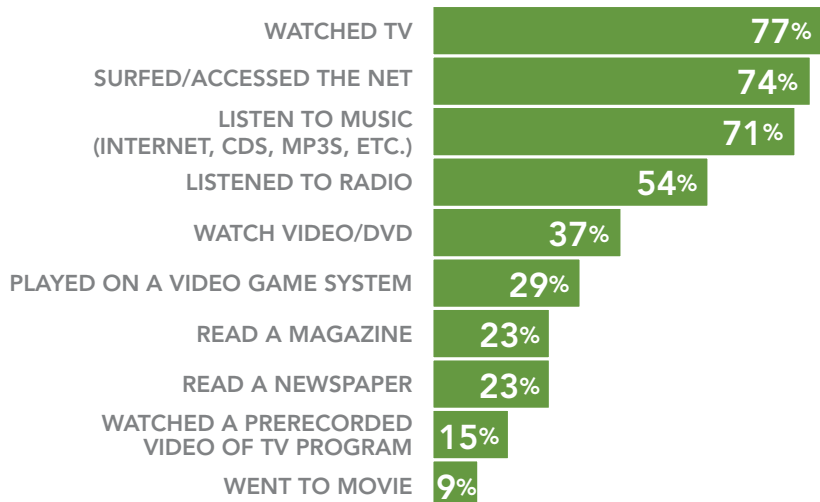
Millennials are excellent collaborators, to the point where they make very few decisions independently. They have been raised to believe that there is safety in numbers and technology makes it easy for them to take an instant poll and/or to consult with expertise resident within their network. This makes them very informed purchasers and retailers vulnerable to public opinion.

2. MULTITASKING AND "PRODUCTIVE"

Millennials are busy—scheduled and overscheduled, but in their minds are very productive—very productive consuming media among other things, and yet the term multitasking almost doesn't do a millennial justice.

Because of the technology-infused environment in which they have been raised and the complexity of popular culture that requires more of consumers, researchers have found that digital millennials' brains are wired differently. As

24-HOUR MEDIA CONSUMPTION



Harris Interactive, 2006

discussed in *Everything Bad is Good for You*, Steven Johnson, 2005, millennials are able to understand more complex story lines and become bored with overly simplistic interactions. If you compare popular television shows from the 80s (like *The Love Boat*) with ones from today (*The Sopranos*), you will find more characters, plots, subplots and multiple threading.

They are consuming media at unprecedented rates. Conditioned by a heavily structured and scheduled childhood, millennials don't do well with idle time. Leave them alone and they become fidgety and anxious. Technology is their tool to becoming "productive" again, providing them with connection, stimulation and instant gratification.



MySpace.com eye tracking

3. FILTERING FOR IMMEDIACY AND CONTROL

Because they are simultaneously consuming media, multitasking and tuned into the notion that marketing is all around them, they are constantly filtering out messages and media that they feel aren't relevant to them.

We performed eye tracking* on our study participants to evaluate their processing speed relative to older adults. Millennials process information up to five times faster! They process large amounts of content, skim to keep their mind engaged, yet read only the first one or two words. They are more inclined to notice images, videos and moving objects. They have a high disdain for anything that interrupts them—anything that they can't control or turn off. This trait drives

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*EYE TRACKING

Eye tracking testing is employed specifically for understanding crucial questions surrounding research and purchase behavior on a site. A flat panel monitor is equipped with small cameras to track the movements of the user's eyes. It records what the pupils are doing while the user is looking at a web site. Eye tracking data from user sessions is consolidated into a heat-map that shows where users look and indicates their level of cognitive engagement. This process provides a powerful analysis of how customers interact with the homepage, category pages, product pages, cart and checkout.

high DVR usage—to enable the fast-forwarding through TV ads, for instance. They love to shop online and pick up the product in-store to ensure that they have it that day.

Remember: these children are used to getting what they want when they want it. Immediate gratification is important to them. They want instant access to information, and online ratings and reviews are more important to them than to older adults. And they don't care what older people think—they want their information segmented so that they can find out what other people their age think. In addition, they want to share their opinion instantly. Thirty-seven percent of 18-24 year olds feel that their reviews are important and should be posted immediately and unedited, **JupiterResearch 2006**.

4. SELF-EXPRESSIVE YET ASSIMILATIVE

However paradoxical, digital millennials pride themselves on self-expression, yet their identity is an extension of the group. Because they were exposed to many more activities than previous generations, they have had the opportunity to develop discrete tastes and interests. As such, they see themselves as creative individuals. Yet, they rely on their social network for everything from homework to purchase advice. Repeatedly, when we posed questions to our subjects, they responded with references to what their friends thought—without us asking them to do so specifically. Which leads back to T.E.A.M.—Together Everyone Achieves More—T.E.A.M. is the mantra for this generation, so much so that they have little respect for hierarchy and only trust authority who they feel have earned it. To the point: they place more trust in their peers than in authority figures.

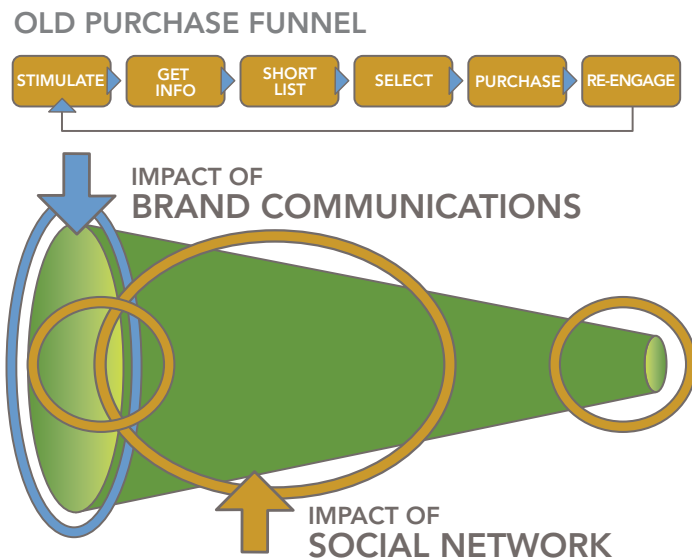
5. OPTIMISTIC AND SELF-ENTITLED

This generation has an inflated sense of self and aspirations for the future. Nearly 40 percent believe that they will earn over \$100,000 per year by the time they reach age 30. Nearly one-third of them believe—not feel or wish—that they will be famous, **MTV 2006**. And they have no concept of copyright ownership—they believe that they are entitled to copy anyone's music or video, **LA Times/Bloomberg 2006**.

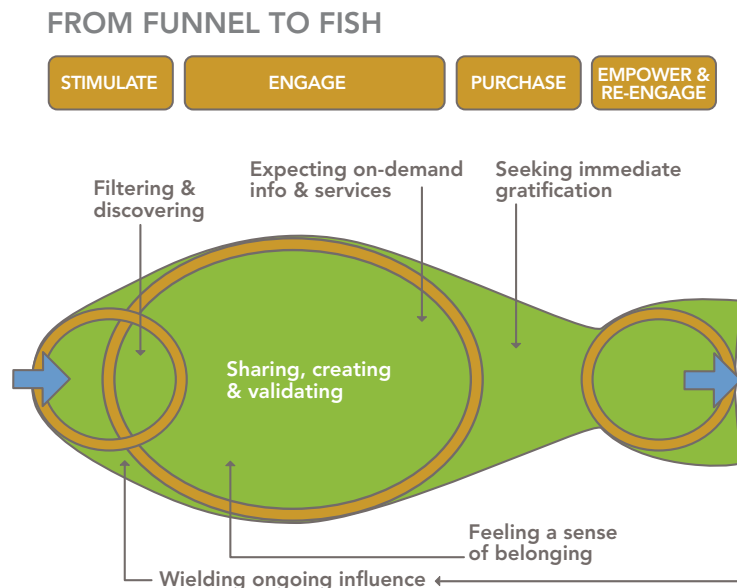
Over three-fourths of them think that brands should ask for their opinions. When asked "How should companies treat people your age?" Matthew, age 21, said "I may not have much money, but give me what I want and I will influence more people than you can imagine so show me what I want and then you'll be just fine."

HOW MILLENNIALS ARE CHANGING SHOPPING

Because millennials are perpetually connected, expressive, multitasking and reliant on their social networks, they are changing shopping in fundamental and far-reaching ways.



The old purchase model was largely a numbers game, with the standard illustration being a funnel, where marketing and advertising reached out to a large volume of consumers and an increasingly smaller number migrate from brand awareness ultimately to conversion.



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However, the impact of traditional advertising and brand communications is fading as millennials consume media in a more targeted fashion. And when they do become aware of a product or brand that interests them, they turn to their social network for information and opinion which has an amplifying, or bloating, effect on the process. For marketers to take advantage of this, companies must leverage consumers as media because trust is in the network.

So our model is no longer a shopping model; it's an engagement model.

And once a millennial completes a transaction and feels part of a brand—they use social media to create, share and validate their experience with their networks to “help others make decisions” which has yet another amplifying effect at the end of the cycle.

What we see now is no longer a funnel, but something that more resembles a fish in shape.



Ebay has built true community.



Amazon reviews lets buyers share points of view.

HOW TO REACH THE DIGITAL MILLENNIAL: WHAT APPEALS

So, how do retailers and others reach out to the digital millennial? Remember: millennials are smart, learn quickly, don't tolerate waiting and rely on their social network to make collaborative decisions. Overall, they are positive and are fully engaged with the world. They can and do become quite loyal to brands that understand them. Here's five ways to win millennials:

1. KEEP IT REAL

“Being fake is worse than being uncool. Don't try and talk like us because you're not.” Digital millennials shun posers and want to do business with authentic brands and want a continuous influx of new products because they process information and changes quickly. Millennials love eBay because the site is always fresh, it is self-policing, they love the perception of a deal and it has built a true community.

2. HEAR ME OUT

Millennials have ideas and want to make their mark. Brands must learn to listen and involve customers in brand decisions. Amazon.com user reviews is an example of a company listening to customers, although millennials would prefer to see only what others in their peer group think. Amazon could enhance its experience even more by allowing reviews to be filtered further by multiple criteria.



iTunes lets consumers buy in any combination.

3. BE ORIGINAL OR DON'T BE

Millennials thrive on creativity. Marketers need to offer limited editions or product exclusives. Three-week cycles for store/site refreshment are widely done, but millennials prefer more excitement and more frequent updates to maintain freshness. This is a highly expressive group and they seek out originality.

4. MY WAY...NOW

Millennials want control over the interaction. And they are impatient. For instance, on iTunes, customers can buy products in any combination. From Best Buy, millennials can order online and pick up in the store.

5. ENTERTAIN ME

Brands need to stimulate millennials with fresh news and merchandise stories to create a "did you see that?" reaction. Historically, entertainment brands have done well at creating entertaining experiences that the rest of us can learn from. It is time to consider viral events that drive buzz, such as pop-up stores and public relations opportunities. Companies should also create entertaining branded media that can be shared.

WHAT THEY EXPECT OR HOW: MILLENNIALS LIFESTYLE REDEFINES THE CUSTOMER JOURNEY

How to market to digital millennials:



STIMULATE

Develop fresh news and ever-evolving merchandising stories and approaches. Provide tools that are branded and ultimately user-endorsed to pull in the network.

ENGAGE

Become more searchable on the site and on the web. Allow full zoom and invite involvement. Enable online reviews by affinity group. Use rich internet applications to ensure rapid screen refreshes and loads. Try user initiated, instant messaging, text messaging and mobile. These could be the keys to winning the digital millennial.

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PURCHASE

A major barrier to purchase is accepting payment from millennials. Many millennials are too young to hold credit cards. It is time to begin accepting alternative methods of payment, like PayPal.

And, for the instantly gratified, allow online ordering and in-store pickup and payment. Ground shipping is too slow. Develop creative ways around the higher costs of overnight shipment that leverage the eagerness of millennials to engage their social networks.

EMPOWER AND RE-ENGAGE

Millennials want a sense of belonging. Create events and opportunities that make them feel special. Create cool tools—easy to use features that facilitate the sharing of consumer generated content. These could include the ability to upload their own photo into an online video ad, or a way to share their own story about your brand with friends via a mobile interface. Remember, for digital millennials, using technology is second nature. It is fun. And if there is any type of humor component, all the better. No one appreciates a delightful twist of tech more than a digital millennial. After purchase, invite them into a club or pull them in again with the offer of special privileges.

A REDEFINED CUSTOMER JOURNEY ONLINE AND OFF

Digital millennials hold their own vision of the world. Tech savvy, multitasking and optimistic, they are ready to deliver economic opportunity to brands that make the effort to engage them—and their social networks—as equals in the brand experience.

ADDITIONAL SOURCES

Quantitative data supplied by:

- US Census Bureau
- Kaiser Family Foundation
- Consumer Electronic Association
- Vibes Media
- Virgin Mobile USA
- Steven Berlin Johnson
- MediaWeek
- Strauss and Howe
- CNW Marketing Research
- LA Times/Bloomberg



LITMUS TEST

Try our Litmus test to determine how connected your brand is with digital millennials.

	1 – Not at all	2 – For the most part	3 – Definitely
Does your current web experience invite input from millennials?	1	2	3
Are digital millennials entertained when they visit your site?	1	2	3
Do you offer tools that facilitate the input of consumer-generated content?	1	2	3
Can digital millennials experience elements of your site on demand?	1	2	3
Can digital millennials share branded media that they find or create on your site?	1	2	3
Can digital millennials access ratings and reviews from others their own age?	1	2	3
TOTAL			

HOW DID YOU SCORE WITH THE DIGITAL MILLENNIAL?

Over 16? You are meeting the digital millennial on the road of prosperity. Keep them stimulated and engaged with exclusive benefits or cool tools.

Between 11-15? Your brand experience hits and misses with digital millennials. Remember to keep it real. When you get their attention, keep your site fresh in order to keep it.

10 or less? It's time to listen to this consumer segment. Digital millennials have ideas and want to make a mark. Open up.

About the author

RESOURCE INTERACTIVE

Known widely for its revolutionizing consumer insights, Resource Interactive is an Adweek Top Twenty independent interactive agency that helps the world's leading companies plan, create, build, assess and optimize the digital experience of their customers and other constituencies. Resource Interactive has helped companies such as Wal-Mart, P&G, Restoration Hardware, Target, Apple, Victoria's Secret, Hewlett-Packard, Crutchfield, Bath & Body Works, Limited Brands, Reebok, NetJets and Kohler use their online channels to drive sales, reduce costs, create community and deepen brand loyalty.

Resource Interactive is renowned not just for its innovative digital marketing solutions for the world's leading companies, but also, and uniquely, for its pioneering research into the digital life of consumers. We excel at the formation of consumer insights and we derive them from our proprietary research methods distinguished by their up-close, in-depth and innovative nature.



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