

The Online Shopping Psychology and Expectations of Millennials

An abstract of a work in progress as of August 4, 2004

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The Online Shopping Psychology and Expectations of Millennials

by Brad Sago

Second in size to only the Baby Boom Generation, the Millennial Generation has experienced numerous formative events and experiences that have shaped, and will continue to influence, their generational “personality” in many areas. Born since 1982, Millennials have already displayed interesting attitudes and behavioral differences from the preceding two U.S. generations – Baby Boomers and Gen-Xers. These differences manifest themselves in a variety of areas including employment/work, leisure, technology, social expectations, family, personal conduct, consumer behavior and commerce. This paper will focus on the online shopping psychology and expectations of the Millennial Generation.

The first wave of the Millennial Generation began graduating from college in Spring 2004. Second only to the Baby Boom Generation as the largest generation in the history of the United States, members of the Millennial Generation have already become a significant influence in the marketplace. Over the next few decades, Millennials will continue to stamp their own unique imprint on business and society.

Table 1

Recent U.S. Generations

Generation	Birth Years*
World War II	1901 to 1927
Silent	1928 to 1945
Baby Boom	1946 to 1964
Generation X	1965 to 1981
Millennial	1982 to 2002?

Note: “*” A lag of several years is common in determining the beginning and ending birth years of a generation due to the fact that generations are defined by longer term changes in birthrates. For example, the Baby Boom generation began as birthrates increased in 1946 and remained relatively high until 1964. The subsequent decline in birthrates in 1965 marked the start of Generation X.

The Millennial Generation -- background and scope

The initial birth year of the Millennial Generation was 1982. During the approximate 20 year duration of this generation's birth years, the number of Millennial births approached the near 80 million population of the Baby Boom Generation. When immigrants are included over the generational "life span" of the Millennial Generation, the figure could reach 100 million.

The high school graduating class of 2009 is projected to be the largest in the nation's history. In addition, there will be a 9% rise in the number of 18 to 24 year-olds from 2002 to 2012, reaching 30.5 million (Williams, 2002).

Also referred to by some as "Nexters", "Generation Y" or "Echo Boomers", the Millennial Generation is more diverse than the generations of their parents or grandparents with 38% being non-white -- 15 percent African-American, 14 percent Hispanic (Sokol, 2003). This 38% is significantly higher than for the Baby Boomers and almost three times as high for the generations of persons 65 years and older (Howe & Strauss, 2003).

While estimates on their spending power are somewhat wide ranging, all signal the enormous consumer force Millennials are -- and that will increase as they enter their earning years. With annual estimates ranging from \$13 to \$27 billion (Skarra, Cronk & Nelson, 2001) to \$100 billion (Mask, 2002) to \$172 billion (Barlett, 2004), direct spending by Millennials is significant. In addition, estimates on the purchases Millennials influence range from \$50 billion (Mask, 2002) to \$196 billion annually (Linn, 2004). One variable seems to play a significant role in the range of estimates -- the ages of consumers. For example, some reports include only the spending of Millennials from their teens and above while other estimates attempt to account for all in the generation.

It is interesting to note that there are signals that many Millennials will be compulsive spenders. According to Baylor University business professor Jim Roberts, 10% of this generation can be classified as clinically compulsive buyers. This compares to 1-3% of Baby Boomers and 5% of Gen Xers (Futurist, 2004).

A survey by Harris Interactive and Kid Power Xchange asked marketers who work in youth fields to compare Millennials to the same age young people 10 to 15 years ago. Of the marketers:

- 91% consider Millennials more powerful as consumers
 - 84% said Millennials more demanding as consumers
 - 79% viewed Millennials more savvy as consumers
 - 60% said Millennials more influential on the decisions of others
 - only 47% thought Millennials were more likely to pester others to buy things
- (Harris Interactive, 2004)

In their 2003 book Millennials Go to College, generational researchers Neil Howe and William Strauss list seven core traits of the Millennial Generation that are not shared by the previous three generations – Silent, Baby Boomers and Gen Xers:

- **Special** – from the media reporting of society’s concern with youth issues since the early 1980s, Millennials have received the message that they are a major focus of concern
- **Sheltered** – this is the generation of “baby on board” signs in cars and vans, V-chips, and safety proofing homes
- **Confident** – polls of Millennials have shown that they are confident about success in their future (career, family, etc.)
- **Team-Oriented** – Millennials display strong acceptance of a group orientation and its accompanying influence
- **Conventional** – this generation has foregone the inclination of the previous two generations of the philosophy of “break the rules”
- **Pressured** – Millennials have become the “scheduled kids” -- from play times to music lessons, sports practices to time responding to e-mails and instant messaging
- **Achieving** –the majority this generation’s high school students have already thought seriously about personal issues of their college degree, employment trends and salaries

While generational traits are not shared by every member of a generation, such traits give an overall perspective into the overall personality of a particular generation.

The Millennial Generation – Internet usage

Millennials are a wired generation. While Gen Xers are considered an overall very techno-literate generation who display a willingness to use the Internet, the lives of Millennials have been intertwined with the Internet. Specifically, the Internet has influenced their views of communication – that it should be instantaneous and continuous (Russell, 2002). The University of Southern California described incoming freshman in the Fall of 2003 as “the most digitally literate students to enter college. Computer-able since childhood, most of our new students have become accustomed to depending on computers, instant messaging, e-mail, the web, interactive media, and cell phones in almost all facets of their daily lives”. They go on to say the “while they may not consider these everyday tools and gadgets ‘technology,’ it’s easy to recognize the influence they’ve had on personalities, attitudes, expectations, and learning strategies.” (USC, 2003)

As might be expected, Internet usage among teen Millennials is the highest on any generational cohort. According to The UCLA Internet Report (2003), 97% of 12 to 18 year olds used the Internet in 2002. This compares to other age groups as follows: 87%

for 19-24, 83% for 25-35, 73% for 36-45, 72% for 46-55, 64% for 56-65, and 34% for 65+.

Inside this high overall use of the Internet by Millennial teens, a more detailed picture of how much these teens integrate the Internet into their lives can be seen. Of all online teens, 42% go online daily while another 33% say they use the Internet a couple of times a week (Lenhart, Raine and Lewis, 2001).

Table 2:

What online teen Millennials do on the Internet

	<i>Daily users</i>	<i>Non-daily users</i>
Send or receive e-mail	99%	87%
Send instant messages	89%	64%
Research products online	74%	60%
Download music	73%	40%
Listen to music online	70%	52%
Visit a chat room	62%	50%
Buy a product online	39%	26%
Create a web page	34%	16%

(Pew Internet & American Life Project Teens and Parents Survey, 2000)

However, Internet usage by teens is not only widespread and often, it represents a significant weekly time investment. A study by Yahoo! and Carat Interactive (2003) compared how much time various age segments of Millennials spend with media. Across the various younger groups -- from age 13 to 24, the Internet was used on average more hours per week than television, radio and telephone/cell phone.

Table 3

Time spent on various media in a typical week

Age group	Internet hours/week	Television hours/week	Radio hours/week	Telephone/cell hours/week
13-15	17.4	15.9	14.4	8.1
16-18	17.3	12	11.3	7.6
19-20	16.2	12	9.6	6.8
21-24	15.5	13.7	10.9	7.5

(Yahoo! and Carat Interactive, 2003)

The use of Instant Messaging (IM) is widely used by Millennials. A study by the Pew Internet & American Life Project found the following:

- approximately 13 million teens use IM
- 74% of online teens use IM – compared to 44% of online adults
- 69% of teen users use IM at least several times a week
- 57% of teen IM users have blocked messages from senders they did not want to hear from
- 89% of teens who go online everyday use IM

(Lenhart, Raine and Lewis, 2001)

Millennials and online shopping

The buying behaviors of this generation are influenced by the Internet more than any other media (Wolburg and Pokrywczynski, 2001). Online shopping serves two tasks for Millennials: (1) the online purchase and (2) information gathering for a traditional “brick and mortar” purchase.

Regarding use of the Internet for online purchases, Millennials are active Internet buyers. Jupiter Research projects online spending by this generation to exceed \$13 billion by 2006. In addition, this research showed that 15 percent of the total spending done by youth is done via the Internet (Sell!ng, 2003).

However, beyond actual purchases, the Internet plays a significant role in the shopping and purchase behavior of Millennials. A study by Jupiter Communications found that 49% of teens use the Internet to research products and services before actually purchasing the product offline (Internet Retailer, 2000).

In the report “Born to be Wired” by Yahoo! and Carat Interactive (2003), the following research uses of the Internet were found to be widely used by Millennials:

- find out where I can buy something
- look for details about products
- find out what the latest products are
- comparison shop
- be sure I have accurate information about something
- research for school

An example of the extent of how Millennials use the Internet as an information gathering source was also shown in the “Born to be Wired” study. In the 13 to 18 age group, 65% viewed the ability to do research on a website as extremely/very important (Yahoo! and Carat Interactive 2003).

Another variable related to Millennials and online shopping is the differences in viewpoints and uses of the Internet between males and females.

- male spend 1.7 times as much as females online per Juniper Research (Sell!ng, 2003).
- Females are more likely to view the Internet as carrying more informative advertising (Wolburg and Pokrywczynski, 2001).
- Females tend to use the Internet as a useful resource for their benefit while males tend to be more enthralled with the technological aspects of the Internet – per an interview with Cliff Sloan of the Sloan Group, a marketing agency with a specialization in youth markets (Lippe, 2001).

Focus of research

The research and conclusions to be presented at 2004 DMEF Educators' Conference will focus on the:

- online shopping psychology of Millennials
- overall online expectations of Millennials

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