

Reaching Gen Y on Both Sides of the Cash Register

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At last count, there were 70 million Gen Yers in the United States, or about 26% of the overall population. Viewed collectively, this group shares a number of characteristics important to retailers. Let's take a closer look.

Members of Gen Y, also known as "Millennials," make many of their own purchasing decisions and also heavily influence purchase decisions within their households. However, because the Gen Y consumer is so tech savvy, marketing to them is different from any other generation in history.

Likewise, retailers are presented with new opportunities and challenges with recruiting and retaining Gen Y employees. Examining how technological advances have shaped Gen Y provides a better understanding of how to reach them on both sides of the cash register – as both customers and retail employees.

What's so different about Generation Y?

The four current generations include Gen Y (born 1978 to 2000), who are hopeful, have a determined work ethic and are polite to authority figures. Next is Gen X (born 1965 to 1977), who are skeptical, have a balanced work ethic and are unimpressed by authority. Baby Boomers (born 1946 to 1964) follow. They are optimistic, strongly driven at work, and have a love/hate view of authority. Finally, there are the Veterans or Silent/GI Generation (born 1900 to 1945), who are practical, have a dedicated work ethic and are respectful of authority.¹

What sets Gen Y apart? Rapid advancements in technology and connectivity (email, the Internet, instant messaging, cell phones, DVDs, MP3 players, digital cameras, camera phones, etc.) have greatly shaped Gen Y shopping preferences compared to prior consumer generations.

Demographers and others have been tracking the trends associated with Gen Y since they first became visible as consumers over 20 years ago and began entering the workforce in the late 1990s. Retailers who understand the aspects which differentiate Gen Y from other generations can be better prepared to satisfy Gen Y customers and employees.

Appealing to the Gen Y Customer

Gen Y's purchasing behavior is based on different criteria than previous generations. Overall, Gen Y is more concerned with how the product makes them appear and keeping up with trends than are older shoppers who more greatly value the shopping experience.

A 2006 study conducted by Maritz® Poll (a consumer opinion poll that reflects the opinions and attitudes of Americans and Europeans on a variety of topics) evaluated how decision factors for making

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The Retailing Issues Letter is a quarterly essay co-published by the Center for Retailing Studies at Texas A&M University, Maritz Research, and FKM.

a purchase vary by generation. The study found that “status of the product,” “keeping up with what my friends/colleagues have,” and “being the newest product of its kind” were significantly more important to younger shoppers (Gen Y and Gen X) than either Baby Boomers or the Silent/ GI Generation.² This finding highlights the “viral” element of marketing to Gen Y who relies heavily on “word of mouth” (or actually text messaging/emails, blogs, etc.) and peer groups to influence their purchase decisions. *Chain Store Age’s* feature on Gen Y supports this finding. The article noted that “because they are in constant communication, the influence of peers is more important than that of traditional cultural authorities such as brand advertising.”³

A second, recently conducted Maritz® Poll study in July of 2007 focusing specifically on Gen Y shoppers aged 18-30 found this constant communication dynamic takes on many forms and often has a retail bent to it. 69% of the poll’s Gen Y shoppers said they send between one and 10 text messages per day, and individuals in the generational group, on average, text approximately 17 messages per day. More specific to retail, 48% of Gen Y respondents said they belong to an online group hosted by a retailer. Also, approximately one-in-four (26%) have posted an online review for a product or specific retailer, and approximately two-in-three (67%) use online reviews as a source when making purchasing decisions. With the emergence of the online retail boards, retail-themed blogs and the frequent “word-of-mouth” communications through online and texting have retailers re-thinking marketing strategies for Gen Y. Interestingly, while Gen Y shoppers are communicating through online and wireless media with one another, they are not as receptive to retailers

sending messages and offers via text messages. While texting seems like a perfect channel for retailers to reach Gen Y shoppers because it’s used so much and is so accessible, it isn’t actually the best. The poll revealed that approximately two-in-three respondents (65%) said they were “unlikely to or would definitely not subscribe” to offers solicited via cell phone or PDA. The Gen Y study found that only 5% of those polled were signed up with retailers to receive text offers and information.

Older shoppers (Gen X and Baby Boomers) rate the “quality of the shopping experience when making a purchase” as significantly more important than Gen Y. It is not surprising the youngest group of shoppers is less appreciative of the shopping experience. Given that Gen Y is adept at using technology for virtually every facet of their lives, a personalized shopping experience is far less important to them. While a quality shopping experience appeals to older shoppers, the retailer’s Gen Y strategy should be to make purchases quickly and easily.

In addition, Gen Y rates “need for the product” as significantly less important than Gen X, Baby Boomers or the Silent/ GI Generation. Understandably, consumers in life stages after Gen Y (i.e., those with mortgages, children in college, or nearing retirement/in retirement) are more concerned with spending their money wisely. However, it is somewhat surprising that Gen Y rated the “price of the product” and “quality of the product” as significantly less important than Gen X or Baby Boomers. For Gen Y, keeping up with their peer group overrides factors which older generations find important. This finding also provides insight that Gen Yers are more prone to impulse spending than older shoppers.

Environmental Issues Split Gen Y Down the Middle

While issues of the environment seem to resonate among Generation Y as a whole, when it comes to environmental stances by retailers, the group is split down the middle. In fact, 50% say an environmentally friendly company affects their shopping behavior and more than half (54%) say they would shop a retailer “more” if they knew the retailer to be environmentally friendly.

A willingness to pay more for items from environmentally conscious companies is strong as well, with 47% of respondents in the Gen Y poll indicating they would pay more if a company’s stance focused on the environment. The main reason given by those who are willing to pay more (77%) is “I care about the environment.”

This makes “going green” an especially difficult decision for retailers trying to reach Gen Y because half care and half are indifferent. However, the ones who care are willing to seek retailers out and, at some level, pay more to an environmentally friendly retailer. Further study in this area is necessary because attitudes do not always match behaviors when it comes to actually paying more. Hot-button topics like the environment can elicit verbal behavioral attitudes that in practice do not always come to fruition.

The Other Side of the Gen Y Retail Equation: Engaging the Gen Y Retail Employee

Popularity of Retail Employment for Gen Y

A Job Opportunity Study conducted by Maritz® Poll found that retail is extremely popular with Gen Y.⁴ 83% of the 16- to 24-year-old respondents who are looking for a job want a retail position. In addition,

potential retail employees (44%) are significantly more likely to be 16- to 24-years-old than those seeking non-retail employment (9%). Since a substantial portion of the retail industry is comprised of Gen Y, retailers need to be equipped to recruit and retain younger employees who come to the work force with a different set of expectations than previous generations.

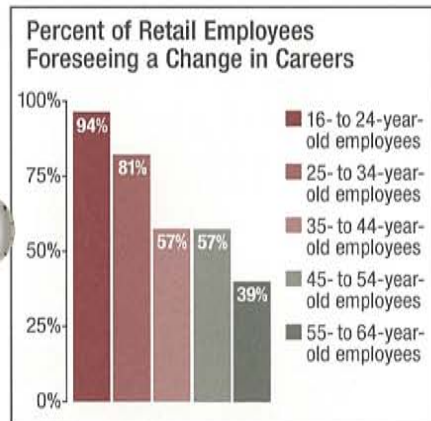


Figure 1. Retail Employees Foreseeing a Change in Careers

Longevity on the Job

A frequently asked question is, "Once our employees have been hired and trained, how long will they stay with the company?" Gen Y is all about change and has virtually no loyalty to their employers. As a result, Gen Y employees are less likely to stay in their current jobs. Our Employee Engagement research⁵ shows that 94% of 16- to 24-year-olds currently employed in retail say they foresee themselves changing careers in the future.

Retail Employee Engagement

Given that so many Gen Y retail employees expect to change jobs, it becomes even more important to retain current employees. However, since Gen Y has different expectations for employment than did its predecessors, retailers may find "the rules have changed."

Gen Yers are looking for meaningful work that fulfills them or helps others. The Employee Engagement research focused on how well the retail industry is meeting the needs of its employees. The good news is, apparently, the retail industry is hitting the mark on many work-related aspects that are important to Gen Y. While there is still room for improvement in the retail industry on the key attributes related to employee engagement, Gen Y retail employees are significantly more likely than other generations of retail employees to have higher levels of satisfaction with the attributes that lead to engagement with their job.

Provide Work-Life Balance

Gen Yers want to find a balance between work and life. "They separate career and home lives, and want flexibility."⁶ Our research found Gen Yers are more likely to find that balance with their retail employment than are older retail employees. Significantly more of the 16- to 24-year-olds than 25- to 34-year-olds or 55- to 64-year-olds agree or strongly agree with the statement "My organization actively works to help its employees achieve an appropriate balance between work and personal life."

Similarly, significantly more of 16- to 24-year-olds than 35- to 64-year-olds agree or strongly agree with the statement "Work expectations at my company are realistic and fair." Apparently Gen Yers are able to achieve the work-life balance that "workaholic" Baby Boomers were unable to find.

Give a Sense of Personal Accomplishment

Feeling personal accomplishment with their employment is one major area where the retail industry failed to reach its goal with Gen Y. The 16- to 24-year-olds are significantly more likely than the 45- to 64-year-olds to *disagree or strongly disagree*

with the statement "My work gives me a strong sense of personal accomplishment." A broader Maritz Poll study on Employee Incentives with all types of employees (not just retail employees) also found Gen Y significantly less likely to feel their work gives them a sense of strong personal accomplishment.⁷ Employers can overcome this obstacle with coaching and by allowing retail employees to use and develop their skills, thereby leading to deeper feelings of personal accomplishment.

Provide Meaningful Feedback

Gen Y has grown up with constant feedback, recognition and praise from their parents and at school. As a result, they expect immediate feedback at work. A recent *Wall Street Journal* article dubbed them, "The Most Praised Generation" and drives home the point that Gen Yers require more praise in the workplace and in their personal relationships than did previous generations.⁸ While there is still some improvement to be made in providing employee recognition in the retail industry, evidently Gen Yers are more likely to receive meaningful feedback than are some older generations.

Our Retail Employee Engagement research shows Gen Y retail employees are significantly more likely to receive the praise they desire than those aged 55 to 64. The Employee Incentives study also found younger employees (in this case Gen X vs. those over 35) were significantly more likely to be recognized in meaningful ways, to be satisfied with the company's efforts at recognizing employees, and to feel the company uses recognition to reinforce actions that positively affect customers and uses recognition to reinforce corporate values.

Casey Priest, Vice President of Marketing at The Container Store, says, "We adopt a coaching mentality, among other managerial practices, so that when managers

observe good work they give specific praise immediately." The Container Store's many strategies must work because the chain has ranked near the top of *Fortune's* best companies to work for eight years straight. It is not clear whether Gen Yers are actively seeking this praise or if employers are more focused on providing praise to Gen Yers than to other generations. Regardless of the generation, employers should ascertain from each employee what type of feedback (public, private, merchandise, time off, etc.) is most valued by the employee.

Possibly Gen Y's politeness to authority figures leads to more open dialogue than with other generations. Significantly more of the 16- to 24-year-olds than 25- to 34-year-olds and the 55- to 64-year-olds either agree or strongly agree with the statement "Open and honest dialogue is encouraged here."

Promote Teamwork

Gen Yers like working with a team and, compared to other generations, are finding the support they need in the retail environment. The majority of 16- to 24-year-olds (65%) either agree or strongly agree with the statement "At my company it seems like we're all on the same team, working for the same goals." This level of agreement is significantly higher than that of any other age group (35 to 64 years old). Retailers should keep in mind that a degree of finesse may be necessary if teams are composed of members from multiple generations who may approach situations with different styles.

Encourage Creative Thinking

Gen Yers are well-educated, creative thinkers and they crave creative thinking in their work life. Overall, differences in creative thinking did not vary as greatly between generations as did other factors

in the employee engagement battery. However, significantly more 16- to 24-year-olds than 25- to 34-year-olds agree/strongly agree with the statement "My company actively encourages creativity and innovative thinking." Both the employee and employer have a great deal to gain from encouraging creative thinking.

Offer Perks

Many companies are promoting flexible work schedules for Gen Yers. Our Job Opportunity study found flexible work hours are important to Gen Yers seeking any type of employment (not necessarily retail employment). Employers benefit from flexible work hours as a perk since it does not require additional cash expenditures.

The vast majority of those aged 16 to 24 seeking a retail job agree or strongly agree with the statement "I want flexible work hours." Their desire for flexible hours is significantly greater for these younger employees than it is for the 35- to 44-year-olds. However, overall, this did not vary as greatly between generations as did other factors.

Interactions with Customers

Given the large percentage of Gen Y in retail positions, it is inevitable that younger retail employees will be interacting with customers. The customer's experience during the transaction can greatly influence their opinion of the retailer and impact sales and revenues. Our Retail Employee Engagement research assessed the extent to which employees enjoy their interactions with customers. Specifically, the study evaluated employees' opinions regarding their enjoyment with their customer interactions and the extent to which employees feel customers are "rude and impatient," "rushed and indifferent" or "friendly and understanding." The findings reveal that employees' interactions with customers vary

significantly by the employees' ages.

Perhaps because of their frequent use of technology to communicate, rather than direct contact, younger retail employees (aged 16 to 24) are significantly less likely to enjoy their interactions with customers than older employees (aged 35 to 64). Only 55% of the 16- to 24-year-olds enjoy their interactions with customers, compared to 74% of the 35- to 44-year-olds and 83% of the 45- to 64-year-olds. It is not just the retail employees who possess this attitude. Employee Engagement research with employees from multiple industries also found Gen Yers were significantly less likely than other generations to enjoy their interactions with customers.⁹

About one in four (24%) of the 16- to 24-year-olds find their customers "rude

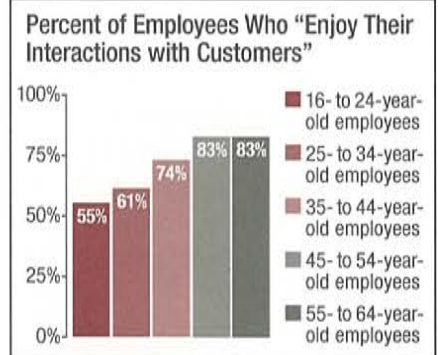


Figure 2. Interactions with Customers: "Enjoy Their Interactions"

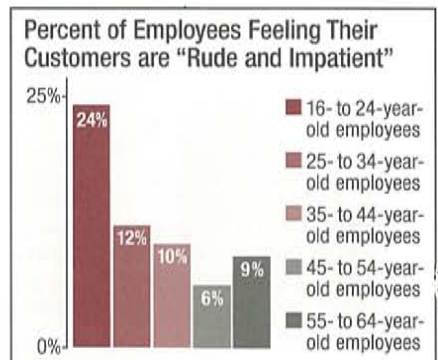


Figure 3. Interactions: Feel Customers are "Rude and Impatient"

and impatient." In fact, the 16- to 24-year-old employees are significantly more likely to feel the customers are "rude and impatient" than are employees in the 35- to 64-year-old age range.

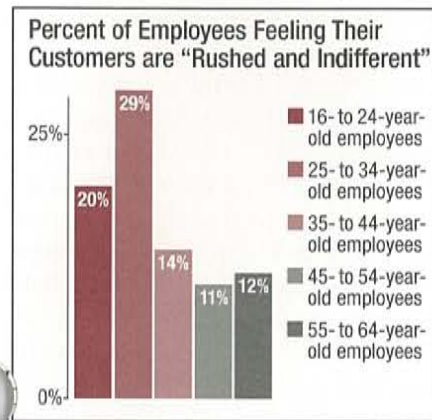


Figure 4. Interactions: Feel Customers are "Rushed and Indifferent"

Younger employees are also more likely to believe their customers are "rushed and indifferent." Almost one in three (29%) of the 25- to 34-year-old employees feel this way. Employees in the 25- to 34-year-old age range are significantly more likely to agree with this description of their customers than are employees in the 35- to 64-year-old age range.

Approximately eight in ten of the older employees find the customers "friendly

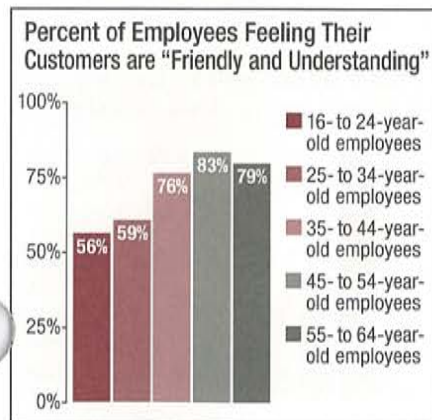


Figure 5. Interactions: Feel Customers are "Friendly and Understanding"

and understanding." Employees aged 35 to 64 are significantly more likely to find the customers "friendly and understanding" than are employees aged 16 to 34.

Importance of Employee Interactions on Customer Satisfaction

While virtually every retailer intuitively knows employees' interactions play a key role in customer satisfaction, our Retail Customer Loyalty study¹⁰ confirmed "Helpful and Friendly Employees" is the most important factor as related to Overall Satisfaction with a Retail Store. By comparison, "Helpful/Friendly Employees" is almost twice as important as "Reasonable Prices" as related to Overall Satisfaction with a Store.

Given the importance rating of "Helpful and Friendly Employees" the (significantly higher) percent of younger employees who don't enjoy their interactions with customers can have huge implications for retailers. At the very least, this finding should impact the methods for hiring and training younger employees who interact with customers.

The Driver Importance Ratings can be compared as follows: Product Variety and Availability with a score of 25 is five times more important than Easy to Return Products, which has a score of 5 as it relates to Overall Satisfaction with the Store.

Learning Styles and Training

Gen Y has specific learning styles which differentiate them from other age groups. Having grown up with technology and MTV, they tend to have shorter attention spans and respond to rapid visuals that might appear as stimulation overload to their older counterparts. They are visually oriented, like graphics and thrive on change and variety. This technologically savvy generation is receptive to online delivery of training.

Factor	Importance Ratings for Overall Satisfaction with Store
Helpful and Friendly Employees	27
Product Variety and Availability	25
Store Layout/ Neat and Clean	23
Reasonable Prices	15
Easy-to-Return Products	5
Not Crowded/ Adequate Parking	3
Convenient Location	2
Loyalty Program Membership	1

Figure 6.

For Gen Yers, it is important to provide a thorough orientation to the company (including what's good, not so good, expectations and long-term goals). Since Gen Y values creative thinking and education, developing a strong training department and establishing mentor programs are also vital (Zemke et al).

Defining the Gen Y Customer

Gen Y is a savvy generation that knows what it wants and, if not, can rapidly find the answer using technology. Their connectedness with peers plays a large role in their purchasing behavior. In the "you snooze, you lose" world of Gen Y, retailers must be prepared to act quickly to satisfy this customer segment. Retailers should ask themselves:

- Can Gen Y customers reach us in a fast, tech-savvy way (online/through emails, instant messaging, etc.)?
- Do we carry the most recent version of the product?
- Have we tapped into Gen Y peer groups to keep up with the current trends?

- Does our product give them status among their friends?
- Do our products help them stay connected with their friends?
- Do we make impulse purchases easy?
- Have we tapped into viral marketing?

Defining the Gen Y Employee

Gen Y employees bring many positive skills and traits to the workforce. However, they are motivated and engaged in different ways than older employees. Reaching them will be both a rewarding and necessary component in the retail world.

Gen Yers recognize they are getting support from their employer, but are still dissatisfied, bored at work, and are the most likely to move on. They are particularly demanding of their work place, which is bad news for a low-margin, high-turnover industry such as retail. What can you do? This is where providing meaningful incentives are probably going to be even more necessary than in the past to keep turnover down and productivity high.

Employers should ask themselves:

- Are we effectively using technology to recruit employees?
- Does our hiring and training process focus on creating positive interactions with customers?
- Is our training in a format which best reaches this generation?
- Does the job include the components which engage Gen Y, such as:
 - Balance between work life and personal life
 - A chance to feel a sense of personal accomplishment
 - Feedback that is immediate and meaningful
 - An opportunity to work with a team
 - An environment which promotes creative thinking

– Perks which include flexible work hours

For organizations with a large proportion of their associates falling in the Gen Y group, employers should ask themselves, "What is the impact of my employees on my customer base?"

The Future of Retail Will Be Heavily Influenced by Gen Y

Ultimately, Gen Y will yield a lot of influence in determining success and failure of retailers in the future. Retailers are developing specific marketing strategies aimed at emerging through the clutter, but short Gen Y attention spans and communications overload (texting, blogs, retailer bulletin boards, etc.) makes this task much more difficult. While seeking to gain an advantage to drive store traffic and share of wallet, retailers must also now quickly address the employee engagement factors that make Gen Y different and valuable as employees.

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