

Lens on Generational Spending

Insights into eCommerce Spending: **Who? What? How?**





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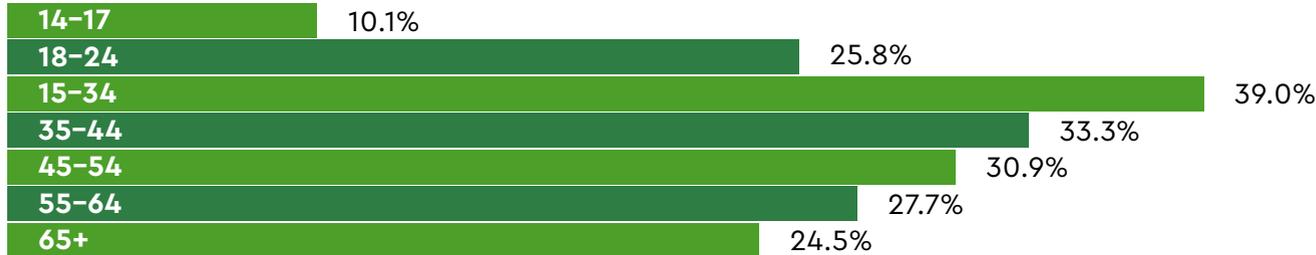
Introduction

What if someone told you they could make an educated prediction on your next online purchase simply by knowing your age? Don't be alarmed – with close to 2 billion digital shoppers around the world and big data getting bigger (and smarter), it's becoming easier to find correlations between shopping categories and age. In fact, these nuggets of information help intelligent retailers find just the right tactics to market and sell to each individual consumer.

Last year, global online sales approached \$3 trillion, increasing the web-based share of total retail sales to north of 15%. With worldwide eCommerce spending predicted to land at \$6 trillion by the end of 2022, smart retailers are primed and ready for their vertical to win shoppers' attention and dollars by thoughtfully marketing to their consumers. Their demographic x-factor? The four primary generations of today.

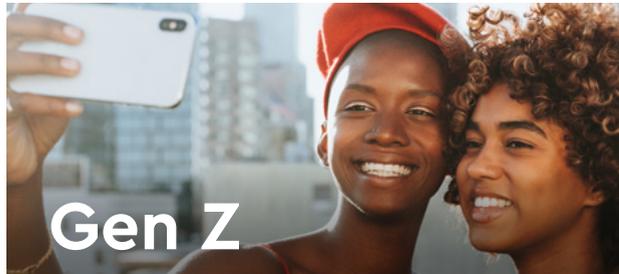
Each generation is unique in what verticals they tend to buy from and how they are swayed to press the buy button. When it comes to digital commerce, they want to be met on their terms, in the way that is most comfortable and convenient for them – whether it's on a desktop, through Instagram marketing, or through free 2-day shipping.

Digital Buyers by Age US, 2018



Source: eMarketer, August 2018

Generational Segments and Defining Hallmarks



Born 1997–2015

- iGen, Generation Snap, Post-Millennial Generation
- Have never lived in or remember a world without the internet, smartphones, or social media
- Some saw the great recession, all have lived during ongoing US military conflict, all are watching the student loan debt crisis unfold
- Seen as the most diverse of all generations
- 25% of this generation spend five or more hours online per day¹, showing how digitally savvy, yet dependent, they are
- Amass nearly 26% of US population², and account for nearly 18% of digital consumers, though that figure is poised to skyrocket to 40% by 2020³



Born 1981–1996

- Internet Generation, Global Generation, Generation We
- Most can remember a time before internet, what floppy disks are, when flip phones became smart, and the rise of social media (did someone say MySpace?)
- Many entered the workforce near the Great Recession
- Carry the most debt per generation due largely to expensive university costs; are putting off major life events
- Approximately 22% of the US population accounting for nearly 39% of US digital consumers right now⁴



Born 1965–1980

- Middle Child Generation, Forgotten Generation
- Alive during the Vietnam War, the Space Race, Woodstock, watched the Watergate scandal unfold, and fought for pivotal Civil Rights movements
- Highest household incomes and spending power of all age groups, though the Great Recession forced many to rethink retirement plans, and how they'll help care for their aging Baby Boomer parents
- 65.8 million in the US (just over 20% of the total US population) today, accounting for roughly 32% of 2018 US digital consumers⁵



Born 1946–1964

- Generation Jones, The Shockwave
- Born around the invention of computers, Boomers toiled away to create the technologies we now use
- Watched as Rosa Parks refused to give up her seat, elected the youngest president (Kennedy) to date, marched alongside MLK in Washington DC, sent the first American to space
- Some are retired, though, many are continuing to work past the age of 65, and they have money to show – and spend – for it
- Though their numbers are on the decline, Boomers include around 74 million people – or 23% of the whole US – and drive approximately 30% of US digital revenue⁶

Fashion and Apparel

From the runways of New York to the bursting racks of fast-fashion shops, fashion and apparel has been a hot topic since, well, Adam and Eve. With worldwide apparel sales expected to shoot from \$481 billion in 2018 to \$713 billion by 2027, fashion continues to look forward – especially in the eCommerce world. What’s more, the US is home to the largest apparel market, with a current valuation of \$342 billion alone.⁸

ARPU in eCommerce Clothing

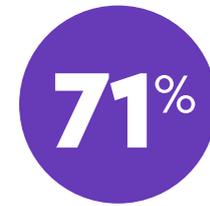
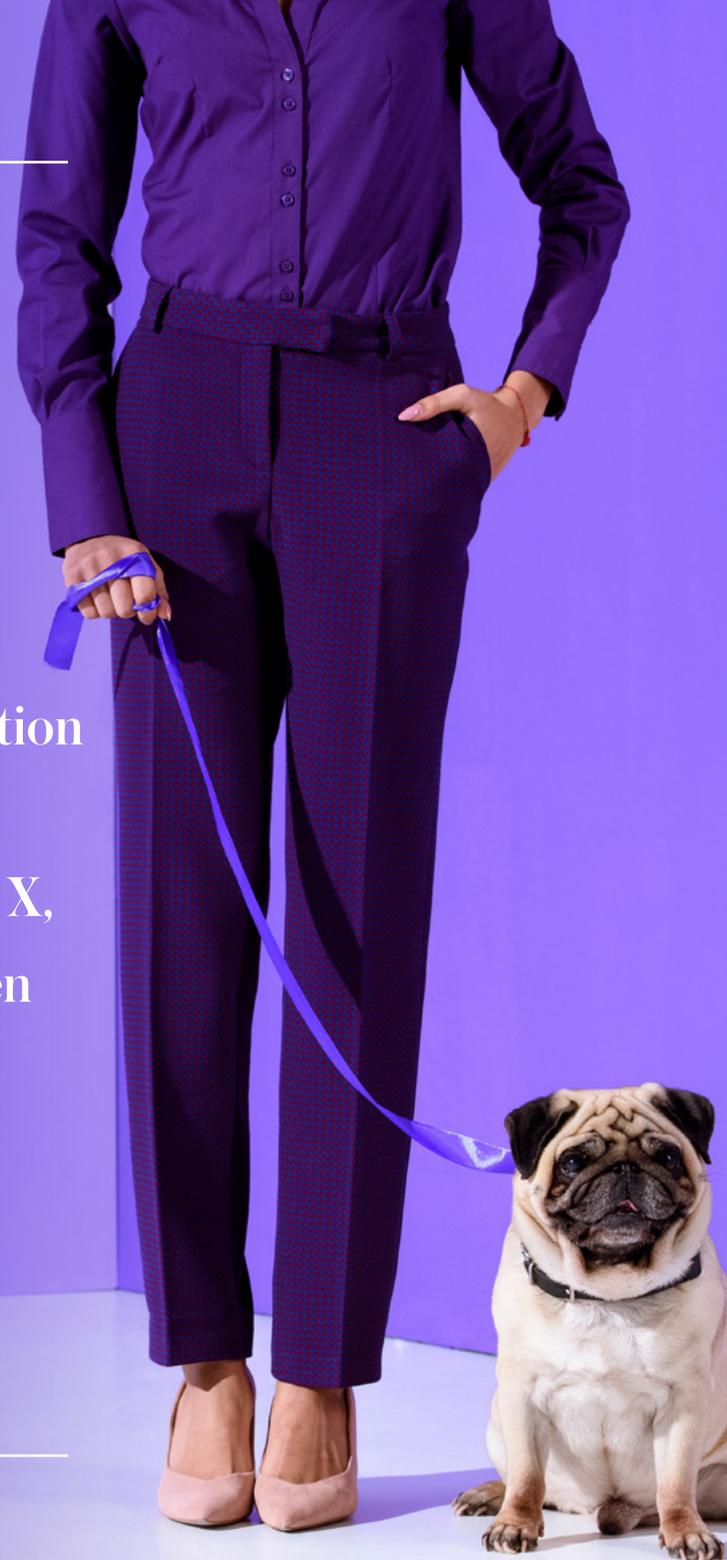
Average revenue per user by USD



Source: Shopify



Millennials make twice as many fashion purchases online than Boomers, but they spend less per transaction. In fact, the amount spent per transaction rises with age – \$101 for Millennials, \$160 for Gen X, and \$173 for Boomers. Gen X comes out on top when it comes to annual spend, investing over \$2,300 on fashion.



of consumers shop online for fashion and apparel

Fashion is the top product category for all eCommerce purchases across each age group, which has created an uncertain landscape for department stores, yet opening a new world of possibilities for D2C retailers. The average purchase amount is on the rise, too – a \$270 shopping bill in 2018 is projected to be over \$300 in 2022, with shoppers steadily spending more.

However, fashion does have some obstacles to overcome in the eCommerce universe. Some buyers are hesitant to buy online since they can't try the clothes on, or feel the materials for themselves – or even simply get that social, in-store shopping experience. Even more interesting, those who shop online are typically younger, and they use different devices than their older counterparts. According to an AARP eCommerce survey, over 75% of Gen Xers and Baby Boomers agree that online fashion serves younger consumers better.⁹

In general, 84% of Baby Boomers prefer an in-store experience¹⁰, and when it comes to buying clothes, the hassle of returning items that don't fit is cited as the number one roadblock to shopping online.¹¹

Yearly, Millennials make twice as many fashion purchases online than Boomers, but they spend less per transaction. In fact, the amount spent per transaction rises with age – \$101 for Millennials, \$160 for Gen X, and \$173 for Boomers. Gen X comes out on top when it comes to annual spend, spending over \$2,300 on fashion. Millennials are in the middle of the pack (\$1,950), with Boomers spending the least at \$1,390.¹²

Fashion's Selling Powerplay: Social Media

And now for the digital fashion shopping match made in heaven – social media. Social media ads are the second most powerful traffic magnet for fashion, prompting about 50% of viewers to visit a brand's shopping site¹³.

With more than 2 billion active monthly users, Facebook is most popular with Millennials (88% of them have a profile), Gen Xers (84%), and Boomers (72%).¹⁴ According to Cowen and Company, nearly 30% of Facebook, Instagram and Pinterest users in the US said they had purchased a product from a brand they discovered on the platforms.

Instagram's one billion active monthly users are mostly Gen Z and Millennials, with over 50% of Gen Zers pointing towards Instagram as the best media to find out about new products, and 53% of them actively following brand accounts.¹⁵ When it comes to fashion, retailers like NIKE, ASOS, Honest Company, and more have used celebrities as photo and video branding opportunities, as well as promoting user-generated content to create more brand ambassadors online.

YouTube has over 1 billion monthly users, reaching more Millennials and Gen Xers a year than any cable network in the US.¹⁶

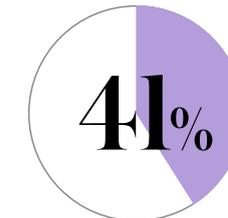
Approximately 60% of Snapchat users are Gen Zers, with active users opening the app 25+ times a day, amassing more than 10 billion video views per day. Their daily news section of the app is a great space to build brand awareness and create buzz around real-time events or fashion sales, including new fashion lines that would appeal to younger audiences. For example, Adidas recently advertised the release of a new sneaker on a Snapchat show called Fashion 5 Ways – it garnered millions of views and the shoes were sold out within 24 hours.¹⁷ Watchers could swipe up during the video and were redirected straight to the product page, allowing quick checkout directly from the app.



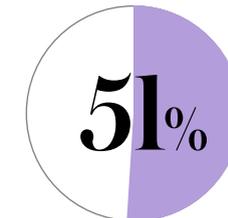
Fashion Bytes: Social Media



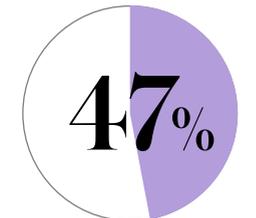
Social Media is the #2 prompter to fashion websites, almost on par with search engine ads



of shoppers connect with 5 or more fashion companies via social media



of social media users connect with fashion companies at least weekly



of fashion shoppers have made a purchase as a result of social media encounters



Health and Beauty

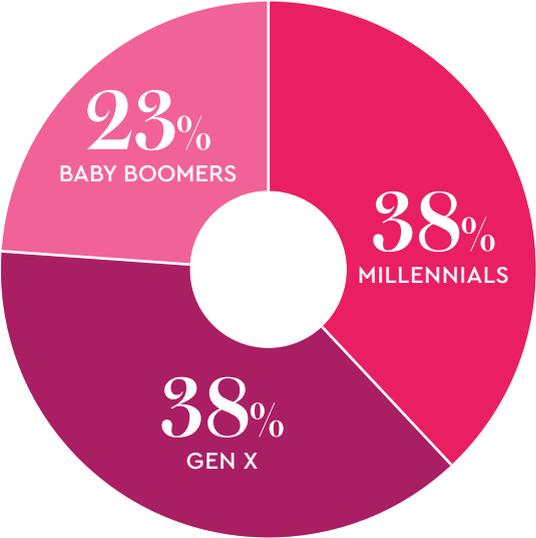
The global beauty market is forecast to reach more than \$863 billion by 2024. Opportunities are wide open, with high product margins and extremely low return rates – between 1–2% on average.¹⁸ What's more, health and beauty shoppers often reorder products they like, creating product and brand loyalty bringing customers back again and again.

Though Gen Z is becoming a target audience for health and beauty – especially organic and natural products – most of them aren't quite at the age of purchasing makeup or wrinkle cream. Instead, Millennials and Gen Xers lead the pack, 38% each purchasing health and beauty products online. Baby Boomers are right behind them, with 23% of online health and beauty product buys.¹⁹ Health and beauty is a siren of a vertical, with over 12% of Millennials willing to bust their budget for health and beauty products, and just over 10% of Xers and 13% of Boomers following suit.²⁰

Purchasing Personal Care and Beauty Products Digitally – By Generation

Source: eMarketer

Note: numbers may not add up to 100% due to rounding



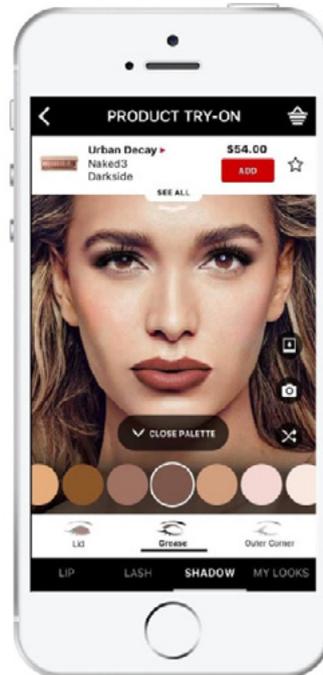
Technology is Changing the Game

Direct-to-consumer health and beauty brands are taking over, and they have technology to thank. These brands are chipping away at the market share of personal care incumbents who are responding with increased M&A activity, incubator and accelerator programs, new in-store technologies, and more.²¹

From personalized shampoos to custom foundation shades, AI and other technologies are increasingly used to create personalized recommendations – not to mention a unique and spellbinding shopping experience.

Chatbots and guided selling tools have been developed to determine user-specific skincare recommendations. Genealogy companies are offering skin assessments and selling beauty-focused DNA kits, and some companies are even shipping monthly subscription boxes filled with ingredients and instructions for making your own health and beauty products at home. While these tactics are just being rolled out, we expect younger generations to understand and use them more seamlessly than their older counterparts.

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Gen Zers Do Beauty Differently

Known as the most ethnically diverse and socially progressive generation, Gen Zers strive to look Instagram-ready every day, and turn to their favorite vloggers and influencers for tips – making them a great target for health and beauty brands.

83% seek natural or organic health and beauty products

62% digitally research beauty and personal care products before purchasing

56% follow cosmetics brands on social media

48% get makeup information and advice online

45% posted about brands they love on social media

Consumer Goods

In the US, online sales of consumer goods have taken off. By 2021, US consumer goods are expected to total \$59 billion²² – a massive opportunity for eCommerce retailers. This is compared to 29% growth in 2017 and \$20 billion in sales.²³ The year before that, growth was only 0.5%.

Why the huge spending increase? Pushing a shopping cart around a superstore in search of household necessities, personal care products, and groceries can be quite the chore – and time sucker. But with eCommerce convenience, shoppers can order fresh produce, cotton balls, and a new shoe rack all from the comfort of their couch.

The most frequent digital consumer goods shoppers are Millennials, with over 30% of them shopping online for consumer goods multiple times a week, and Gen X, with almost 20% of them shopping either once a week or more.



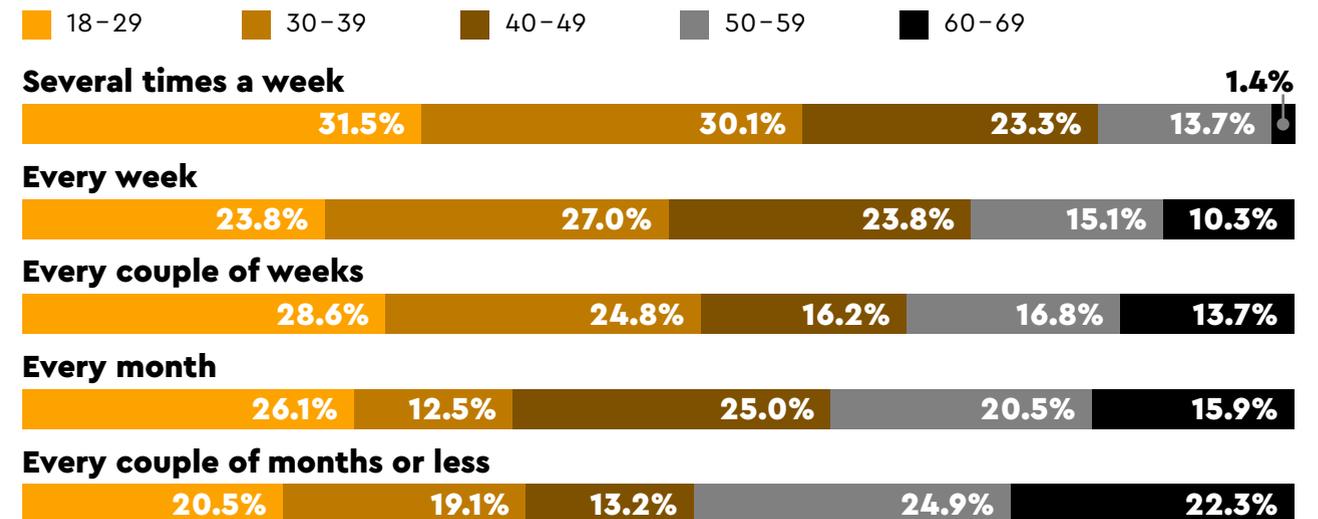


The most frequent digital consumer goods shoppers are Millennials, with over 30% of them shopping online for consumer goods multiple times a week, and Gen X, with almost 20% of them shopping online either once a week or more.²⁴ However, every age group had the same driving factors for purchasing consumer goods digitally – free delivery, and a lower price or discount.²⁵

According to a report by McKinsey, as more people learn about the diverse range of items they can purchase online, more demographics are expected to shop online for consumer goods in the coming years. It seems the key will be creating a truly omnichannel experience for consumers, which brings us to the winner of all consumer goods tactics...

Consumer Products: Digital Shopping Frequency By Age

% of respondents



Note: numbers may not add up to 100% due to rounding

Source: Periscope by McKinsey, "CPG Goes Omnichannel: Shoppers Grasp the Digital Opportunity," April 11, 2018



Box shoppers typically earn \$50,000 to \$100,000 a year and live largely in urban areas

Move Aside, it's Subscription Time

With direct-to-consumer startups like Blue Apron and Dollar Shave Club, consumer goods subscriptions are wooing more and more shoppers with their easy-to-order, curated deliveries. In fact, the subscription eCommerce market has grown over 100% per year for the last five years, with the largest retailers amassing \$2.6 billion in sales in 2017,²⁶ and attracting over 11 million US subscribers.²⁷ While Millennials lead the way (31% currently subscribed and another 38% planning to in the next six months), even Baby Boomers are getting in on the action. Just 8% of Baby Boomers currently subscribe, but 22% plan to do so in the next six months.

Traditional retailers are getting in on the action, too. Target and Walmart have started subscription box services. Amazon offers subscription box services across a wide variety of categories – from beauty boxes and toys, to food and pets.

With over 3,500 subscription box services in market – and, undoubtedly, more coming – interesting shopping patterns are taking shape:²⁸

- Box shoppers typically earn \$50,000 to \$100,000 a year and live largely in urban areas²⁹
- 15% of online shoppers have signed up for one or more subscription, usually receiving items on a recurring, monthly basis³⁰
- Amazon Subscribe & Save, Dollar Shave Club, Blue Apron and Birchbox are the five most popular subscription sites in 2018³¹
- Women account for 60% of subscriptions, though men are more likely than women to have three or more active subscriptions (42% versus 28%)³²



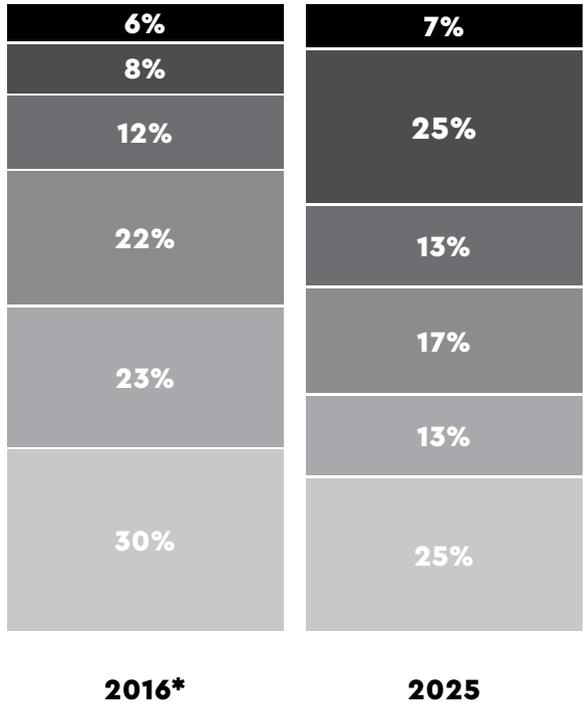
Luxury

Luxury – sumptuous items, delicacies, indulgences, or a refinement of living rather than a necessity. Once only available in exclusive Parisian shops, or the furthest corners of Milan's fashion district, luxury has gone mainstream. Yes, there's still a price tag for those big-name items – but instead of traveling far and wide to shop, you could have a Hermes leather purse shipped to you, same day, with the tap of a thumb.

Last year, the US spent over \$81 billion on luxury purchases, a total expected to surpass \$90 billion by 2024.³³ The only country outpacing the US on luxury is China, currently sitting at nearly \$120 billion in spending.

Personal Luxury Goods Industry Sales Share Worldwide, by Location/Channel, 2016* & 2025

% of total



Note: numbers may not add up to 100% due to rounding; * estimate

Source: Bain & Company and Farfetch, "The Millennial State of Mind," April 12, 2017

Approximately 85% of growth for luxury retailers is from Gen Z and Millennial shoppers, driven by convenience and confidence in receiving authentic products.

Despite huge eCommerce success, many luxury brands have been hesitant to jump into the eCommerce waters for fear of devaluing their high-end image. However, as younger audiences develop the taste and budget for luxury, brands are seeing heightened sales – as long as they focus on a key factor. Instead of shopping stores with champagne-in-hand, luxury retailers have had to focus on transforming their exclusive in-store experiences into glamorous, personalized online experiences.

Approximately 85% of growth for luxury retailers is from Gen Z and Millennial shoppers, driven by convenience and confidence in receiving authentic products.³⁴ At 26.5%, female Millennials are the biggest luxury website visitors, though female Boomers have proven they like the finer things, too – and come in second at 19%.³⁵ On the other hand, male shoppers only made up 39% of luxury website visitors, with each age group amassing less than 10% of traffic.

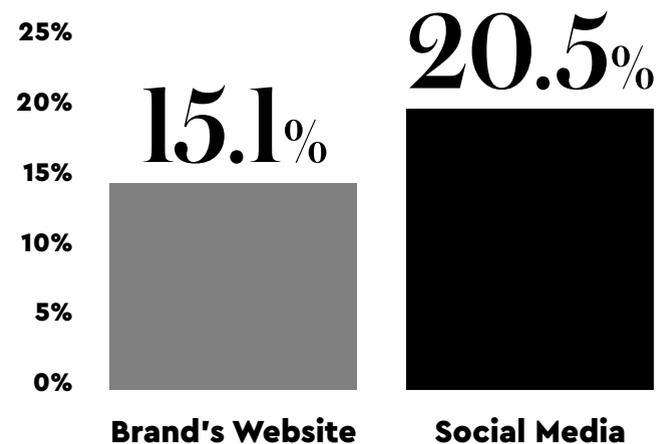


The Destination for Luxury Inspiration: Instagram

Overflowing with social influencers and celebrities, Instagram is luxury's best friend, especially with the app's ever-innovative shopping features and one billion users. Recently, the app drove 53% growth for luxury fashion sellers – likely due to the aspirational and inspirational nature of Instagram's visual and lifestyle storytelling theme.³⁶ According to luxury marketers, over 35% look to Instagram as the top social channel of choice – more than double the amount who use Facebook, the second place luxury marketing winner.³⁷

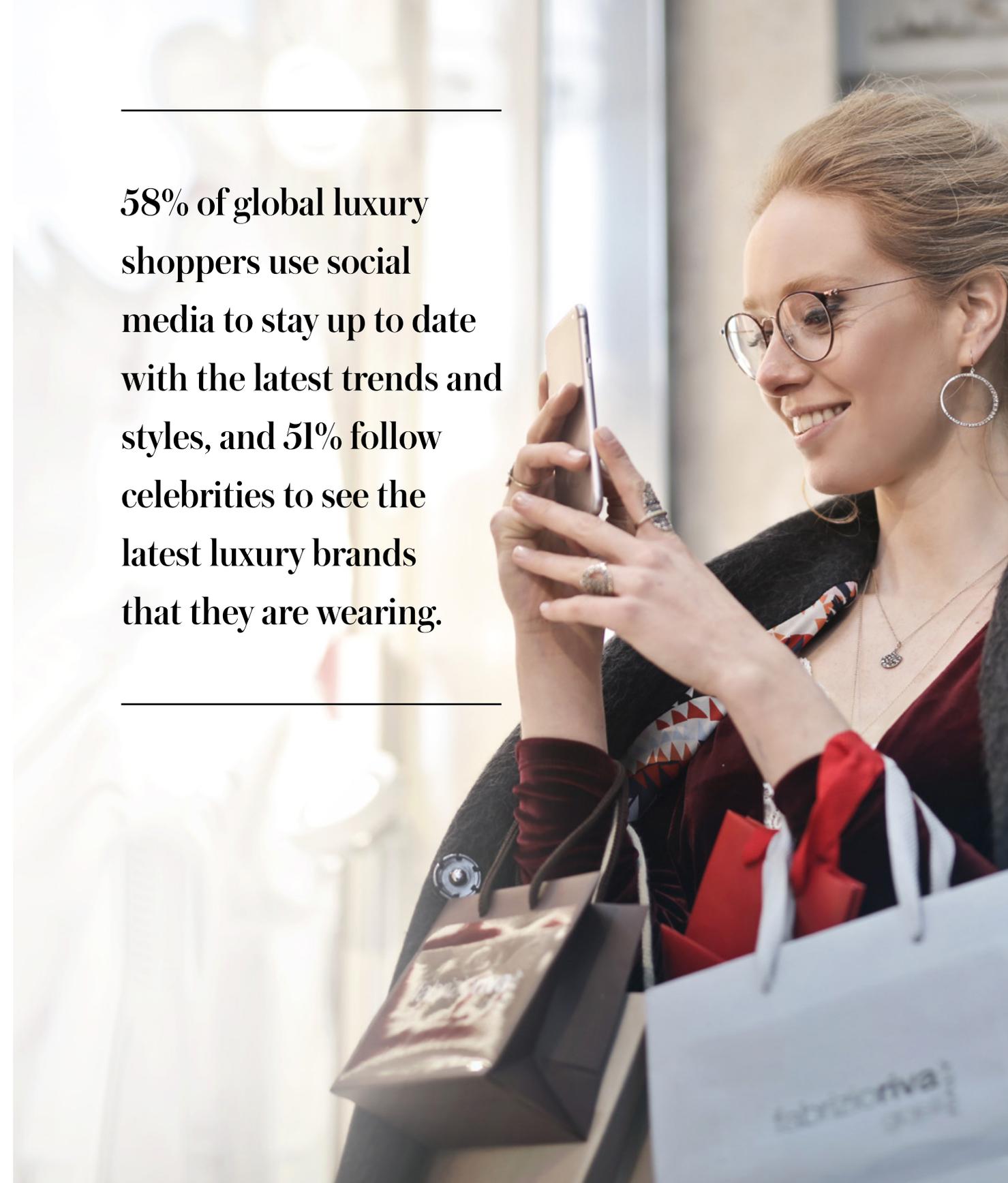
In a recent study, Instagram found that over 58% of global luxury shoppers used social media to stay up to date with the latest trends and styles, and 51% follow celebrities to see the latest luxury brands that they are wearing.³⁸ As Facebook continues to crack down on their news feed algorithms to show less ads and branded posts, Instagram ad revenues are projected to nearly triple to \$11 billion in 2019.³⁹ And, since so many users are Millennial and younger, Instagram is continuing to blossom as the top luxury look book, specifically for younger, wide-eyed users.

How Millennial Consumers Discover New Luxury Products and Trends – Social Media Versus a Brand's Website



Source: "Bring it On" by Deloitte

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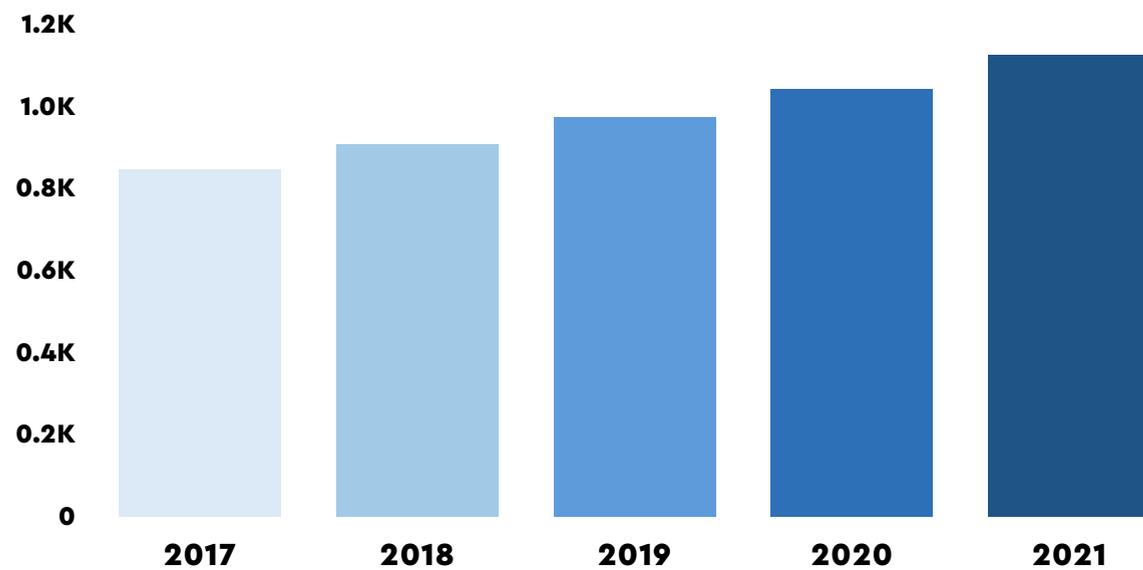


B2B

B2B eCommerce is on course to meet or exceed \$1.8 trillion and account for 17% of all B2B sales in the US by 2023. By 2020, B2B eCommerce sales are projected to be more than two times higher than global online retail sales. These are impressive numbers for a vertical that has historically lagged behind its B2C counterpart in eCommerce sales and innovation. In fact, B2B businesses are reinventing themselves to keep up with a digital-first buyer group, who just so happen to be getting younger and younger. Websites and buyer journeys are evolving to look and feel much like their B2C counterparts.

US B2B eCommerce Sales

Projected sales 2017-2021 in billions



You heard that right – it's no longer the age of executive board meetings, golf games with vendors, or physically faxing contracts when it comes to B2B buying and selling. In fact, 73% of Millennials are involved in B2B purchasing decisions, and one-third of them are the sole decision makers for their department.⁴⁰ Though B2B tactics have appealed to Gen Xers and Boomers in the past, many of these methods don't resonate with their new audience.

Sell on Their Terms

With roughly 50% of B2B product researchers landing in the Millennial camp, it's important to know just what this age group is looking for.⁴¹

This cohort identifies online search, vendors' websites, peers and colleagues as the most important sources of information – all more important than salespeople.

- 85% of Millennials are members of a social networking site, and 23% use social more than three hours a day.⁴²
- A Forrester Research study indicates that these digital natives prefer short bursts of information, often in visual formats.
- Millennials prefer to avoid phone calls if they can – they'd like all the information they need up front so they can make quicker decisions (and later, transactions).

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Conclusion

It's no surprise – if you want to win in your market, *how* you sell should be smart, factoring in what each shopper wants. Even with personalization and emerging technologies, it's still difficult to create an individual buyer journey – but you can zero in on what the majority of each age group is looking for, whether they know it or not.

Whether your business is B2B or health and beauty, the experience you create for customers is key to earning their trust and business. So, what's a brand to do? The answer is, invest in commerce technology, services, and talent that enable digital transformation and address the defining differences across all age groups.

- **Commerce platform:** Select an agile platform that grows with your brand and that delivers new experiences. Think about novel functionality that aligns with your industry. Guided selling in the beauty industry, for instance, is a way to personalize products.
- **User experience:** Create a brand-centric user experience and keep in mind that buyers across all generations want to be told a story – and they want to see themselves in that story.
- **Analytics:** Use analytics to get to know customers – what they buy, how they shop. Consider automation to compile data from disparate sources and display it on dashboards that enable easier, more immediate access to insights into performance and customer behavior.
- **Omni-channel:** Remember, it's all about creating a seamless experience across all channels. And, yes, the store experience is still critical. Think Baby Boomers – the ones with the money still like the touch-and-feel experience.
- **Managed services:** Make sure that commerce systems are tuned and optimized, and that they are continuously improved and adapted based on insights in analytics.

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About

LiveArea

LiveArea is an award-winning global commerce services provider. The comprehensive portfolio of capabilities we deliver combines consulting, strategy, design/UX, technology, and digital marketing to bring commerce to life.

For more than a decade, emerging businesses and leading brands – including 30+ retailers ranked among the current Internet Retailer 500 – have turned to LiveArea to grow and transform their B2C and B2B commerce channels. Clients cover a variety of verticals, including health and beauty; fashion and apparel; luxury; consumer packaged goods, retail; automotive; and business to business. An extensive network of ecosystem partners includes leading commerce platform providers along with an array of solution partners. LiveArea, a PFSweb Inc. business unit, has offices in Dallas, Seattle, New York City, Raleigh, London, Sofia, and Bangalore. For more information, visit www.LiveAreaCX.com