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Retail

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Retail opportunities in a world of extremes

Understanding today's teens and boomers

By Melody Badgett and Maureen Stancik Boyce

Understanding the diversity in shopping styles and attitudes is important in today's consumer marketplace. To gain greater insight, a recent IBM study focused on two groups – teens and boomers. We found that for tech-savvy teens, the social aspects of shopping and purchasing are paramount. Boomers, by contrast, tend to shop and make purchases based on trusted brands. Yet both groups also place a priority on in-store service. What can retailers do now to better meet the needs of these two important segments?

2006 research highlights

In today's marketplace, consumer shopping preferences and needs continue to fragment as a result of changes in demographics and value systems. These changes are making customers harder to define, categorize and reach. As population distribution shifts to the tail ends of consumer age groups, retailers face new challenges in satisfying these very diverse groups. Those retailers who gain a deeper understanding of select segments can more successfully address this fragmentation and the opportunities that exist.

To provide insights into this complex marketplace, we studied the in-store and Internet-based shopping preferences of two very diverse segments – teenagers and baby boomers. We chose *boomers* because of their sheer size (78 million between the ages of 41 and 60)[1] and economic clout (50 percent of all U.S. spending),[2] and *teens* because of their window to the future of retailing and their expected spending power (US$176 billion in 2006).[3]

Our research revealed teens as wired, social beings that rely on connections with and approval from friends and peers. These young shoppers live comfortably with technology and are highly informed consumers. On the other hand, boomers are deliberate shoppers who rely on brand trust and have very diverse value drivers. These experienced shoppers seek convenience and a good value and are working their way up the technology curve.

For both of these segments, service is the defining point for a successful shopping experience. This paper summarizes some of the key findings from this research and offers retailers a window into the opportunities available in the world of extremes.

Research methodology

In October and November 2006, we conducted nine focus groups with teens (ages 13 to 18), and men and women (ages 50 to 59) from medium- to high-income households (US$50,000 per year and higher) and diverse ethnic backgrounds. The discussion groups were held in three locations: Westchester County in New York, Atlanta and San Francisco.

At the end of each session, participants also completed a short written survey regarding such topics as favorite Web sites/ retailers, shopping influencers and drivers, the amount spent on an average shopping trip, and use and ownership of various technologies. A total of 85 consumers participated (33 boomers, 27 teen boys and 25 teen girls).

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Key research themes

As expected, the data revealed two diverse shopper segments who clearly occupy two ends of the consumer spectrum. For the most part, these groups are very different in attitude and style, though they do share some common needs pertaining to service. To discuss our research findings about each group, we have organized them into five broad themes (see Figure 1):

1. Role of shopping
2. Purchase influencers
3. Shopping styles and attitudes
4. Role of technology and the Internet
5. Drivers of successful experiences.

Teen findings

Role of shopping: Social connectivity is primary

Finding what they want on a shopping trip is important to teens, but shopping appears to be less about the "end" and more about the "means." It is the social factor that is important, namely sharing the experience with friends online or in a store. Teens actively go shopping with friends or peers at a mall, and nearly two thirds said they use their cell phones to send text messages to a friend while shopping. Some girls also report sending a friend photos from their cell phone before making a purchase in a store. And, when shopping online, nearly 30 percent of teens said they used the "e-mail a friend" link on a Web site to gain advice.

FIGURE 1.
Key teen and boomer findings.

	Teens	Boomers
Role of shopping	Social connectivity is primary	Shopping is deliberate and the set of considered retailers is well defined
Purchase influencers	Peer approval is the driver, not brands	Brand trust comes first
Shopping styles and attitudes	Shopping preferences are diverse and polarize around self identity versus social network	Shopping preferences distinctly polarize around price versus brand and product versus experience
Role of technology and the Internet	Technology and the Internet are just a way of life	Internet is an information tool and there is much to learn
Drivers of successful experiences	In-store service is most important	In-store service is the deal breaker

Source: IBM Institute for Business Value 2006 Teen and Boomer Shopper Study.

Purchase influencers: Peer approval is the driver, not brands

Teens are social beings and they make purchase decisions based on their need for approval and community, rather than brands. When asked about the major influencers on what they want to buy, 67 percent of teens replied that their peers and friends play the biggest role. On the other hand, only 30 to 40 percent of teens said that brands, whether product or retail, influence what they want to buy. When making an actual purchase, peer influence is still important; however, parents make the final decision (see Figure 2).

Ninety percent of teens have a cell phone and readily use it in the shopping process.

In their online activities, retail brands also play a small role as teens are more likely to use social networking sites (such as MySpace), search engines (such as Google) and price comparison sites (such as PriceGrabber) to shop rather than going to specific retail brands.

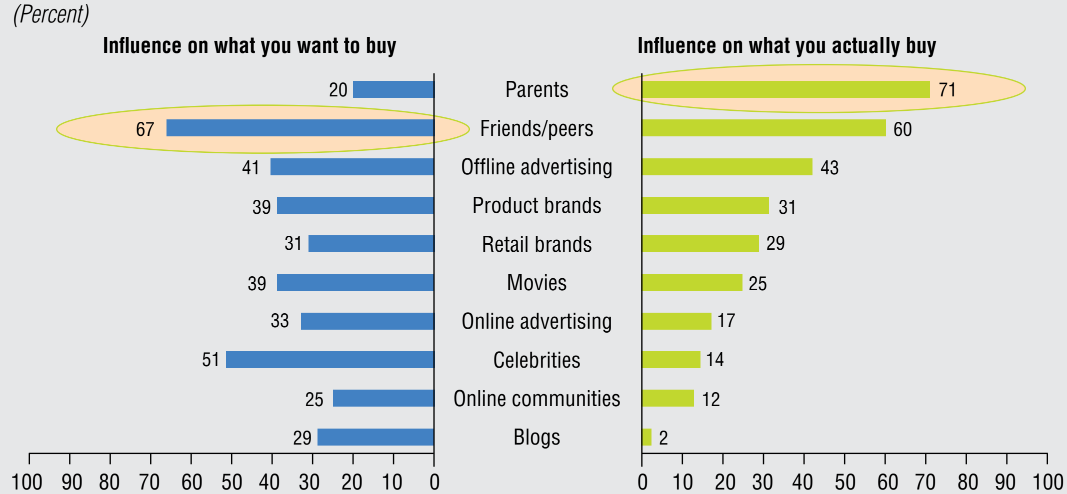
Shopping styles and attitudes: Shopping preferences are diverse and polarize around self identity versus social network

Teens are a diverse group and their shopping preferences vary. However, these differences are more likely to polarize around their social network and sense of identify rather than price or brand, as we will see with boomers. Some teens are very much into following the crowd, or buying what's hot. Others prefer their own style, particularly girls, and will seek out boutique shops, or second-hand stores to find that unique look.

Role of technology and the Internet: Technology and the Internet are just a way of life

Teens are comfortable with technology both on and offline. They use technology to socialize, stay connected and gather information. For example, 90 percent of teens have a cell phone and readily use it in the shopping

FIGURE 2.
Teen influencers: Desire versus purchase.
(Percent)



Source: IBM Institute for Business Value 2006 Teen and Boomer Shopper Study.

process. Twenty five percent of teens used a cell phone or PDA to access the Internet while in a store and almost a third bought something using their cell phone.

Teens have also come to accept and expect technology in the store and are active users of various tools. For example, 65 percent reported using self check-out and 70 percent have used a price check tool. Teens, however, do not see technology as a differentiator that would draw them to a particular store. These young shoppers were more concerned with whether the technology added value to the shopping experience, consistently worked as expected and that sales associates knew how to use the devices.

"As far as the technology thing, I would say, wow, that's cool; but I wouldn't go in there just because of it."

– Teen study participant

Drivers of successful experiences: In-store service is most important

Currently, 88 percent of teens shop primarily offline because they don't have a credit card, they have security concerns or they want to see the item first before buying. Teen girls, in particular, prefer to browse online and then shop in stores, especially for clothing. Because shopping is focused on the store, teens note that in-store service is the defining factor for a successful experience. Teens want to be respected and treated courteously. Teens prefer to shop at a retailer with knowledgeable sales associates and many want to know the store cares about them as people.

Boomer findings

Role of shopping: Shopping is deliberate and the set of considered retailers is well defined

Today's boomers have little time for shopping for entertainment's sake and, unlike teens, shopping is about the "end" rather than the "means." They shop with a mission or for a particular occasion, and each of them has a well-defined set of stores he or she frequents. Preference for a specific store is generally built around familiarity and convenience. However, when choosing a particular retailer, boomers will also consider other factors such as price, appropriateness for the occasion and selection. Most boomers value efficiency in their shopping, wanting to buy a desired item in the least amount of time, at the nearest store or with the fewest number of clicks. And, boomers, like teens, have come to expect in-store technologies and few regard them as a reason to frequent a store.

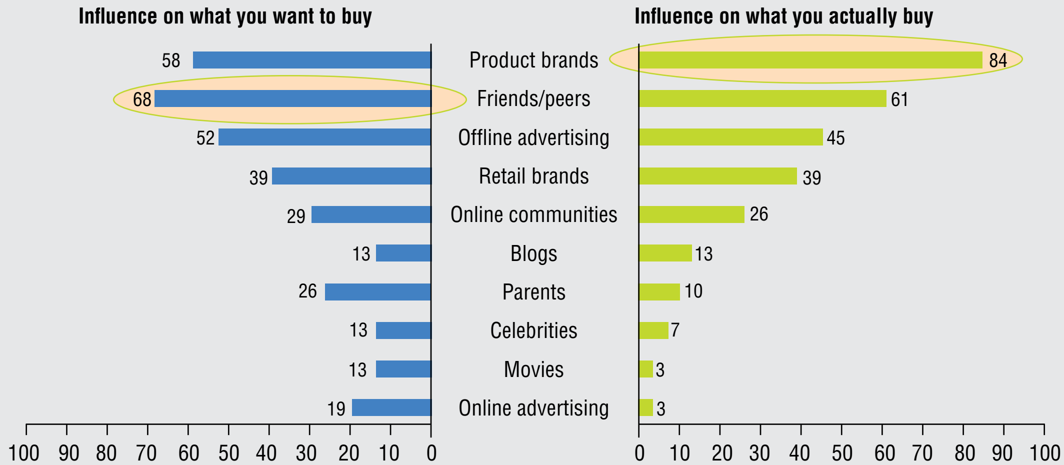
"Find what you need, at a price you're willing to pay. It's got to be the whole package."

– Boomer study participant

Purchase influencers: Brand trust comes first

Boomers are social beings and, as we saw earlier with teens, peers are the most important influence on what they want to buy (68 percent of boomers). However, when it comes to making the actual purchase, brand trust is far more important, as 84 percent of boomers say that product brands are the key driver. Notably, retail brands play a far lesser role than product brands, and only 40 percent of boomers said that retail brands influenced both what they wanted and what they actually bought (see Figure 3).

FIGURE 3.
Boomer influencers: Desire versus purchase.
(Percent)



Source: IBM Institute for Business Value 2006 Teen and Boomer Shopper Study.

For boomers, brand loyalty is the more important influence on what they buy.

Shopping styles and attitudes: Shopping preferences distinctly polarize around price versus brand and product versus experience

Our sample of 33 boomers represented a wide range of shopping styles, attitudes and value drivers. In general, their responses polarize around price versus brand or product versus experience. Some shoppers wanted to be left alone with no one hovering, while others preferred personalized service based on their particular preferences. Some shoppers were highly efficient, aiming to expend the least amount of effort to find what they want, even if that meant paying more; others were willing to shop all over town hoping to catch that great deal. Some shoppers focus on price and shop only at stores offering coupons, while others prefer to shop locally to support smaller stores or to shop at stores that reflect their values, regardless of price. Finally, we saw differences in what defined a “good experience.” Some shoppers said getting an even better deal than they planned is a great experience while others said having a knowledgeable sales associate guide them through their purchase is the best.

Role of technology and the Internet: Internet is an information tool and there is much to learn

In general, boomers are still catching up when it comes to technology and the Internet. In many ways, they may see the Internet as an electronic translation of their analog world. Their approach is pragmatic and they often use the Web as a catalogue. Their top non-retail Websites are focused on media, information and entertainment. Most boomers describe using the Internet to research purchases, but there is great diversity in comfort levels. Some boomers are self described “Internet queens” while others didn’t trust it or suggested they needed a “for dummies” approach. However, as 77 percent of boomers expect most of their shopping to be on the Web in five years, it appears they will continue and perhaps accelerate their learning curve.

Drivers of successful experiences: In-store service is the deal breaker

While boomers are moving online, 84 percent shop primarily offline today and the in-store experience is a key motivator for which stores they frequent. Once in the store, boomers are demanding. They have little time or tolerance for service failures. Often, one bad experience will keep them away from that retailer forever. Most of the issues, cited by boomers, deal with poor service from sales associates or breakdowns in the overall shopping process that lead to excessive delays.

"All it takes in retail is one bad experience."

– Boomer study participant

Tailoring insights to specific segments

In this world of extremes, some retailers specialize and address only teens, while others target only boomers. Still others may cater to both. By tailoring their customer strategies to their value proposition, retailers can tap into new and existing opportunities for growth, and deliver more relevant shopping experiences. Here are strategies to consider:

Aligning with teens

- Create new marketing relationships online and in-store to enhance brand equity and capture the attention of teens
- Develop means to create community and social connectedness in-store and online to build better connections with teens.

Satisfying boomers

- Understand how shopping preferences vary by occasion to become part of core customers' consideration sets for a particular shopping trip
- Design in-store and online communications and interactions that support and strengthen the brand trust to build advocates among boomers
- Provide integrated and convenient cross channel services to help deliver the convenience boomers seek
- Develop means to build boomers' skills and comfort level with technology both in the store and on the Internet

Addressing both teens and boomers

- Improve in-store execution, adjust staffing models and develop motivated and empowered sales associates to help reverse the negative effects of service failures that can turn away both boomers and teens
- Bring technologies into the store that create convenience and newness in the shopping experience, and keep both boomer and teen shoppers engaged.

Conclusion

Through a deeper understanding of teens and boomers – their lifestyles, values, and particular preferences and attitudes toward shopping – retailers can begin to exploit the opportunities available in a world of extremes. Teens crave newness, connectivity and community while boomers value brand trust. Teens embrace technology while many boomers are still gaining such skills. Successful retailers will explore ways to meet these consumers' core needs in innovative and differentiating ways.

About the authors

Melody Badgett is a Senior Managing Consultant at IBM. Melody has been with the IBM Institute for Business Value for over four years as the CRM Global Lead, the Value Infusion Global Lead for the Distribution Sector, and recently as the Retail Industry Lead. You can reach Melody at *mbadgett@us.ibm.com*.

Maureen Stancik Boyce, PhD, is the Distribution Sector Team Leader for the IBM Institute for Business Value. She brings 13 years of Strategy Consulting experience in Retail, CP and T&T. She can be reached at *staboyce@us.ibm.com*.

Key contributors

Fred Balboni, Partner and Global Retail Industry Leader, IBM Global Business Services

Herb Kleinberger, Partner, Global Retail Strategy Leader, IBM Global Business Services

Steve Ballou, PhD, Research Hub Director, IBM Institute for Business Value

Roseanne D'Ambrose, Consultant, IBM Global Business Services

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