

The Millennial Influence on Market Behavior

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Introduction

If we were going to boil down current market behavior into two words it would be “efficient authenticity.” Everything that we’re seeing in the retail world about adoption of technology, home delivery, showrooming, click-and-collect, and countless other initiatives comes down to this simple mindset. If you are looking for a quick take away then you can stop reading right now. Just keep “efficient authenticity” in mind when sourcing your next leasing deal, thinking about how to market a product, or even when designing an outdoor gathering area. You’re done.

For a more comprehensive look into what makes this market tick then you need to understand the Millennial. There is so much to consider when analyzing this incredibly diverse, often misunderstood, and widely written about age cohort.



The Millennial



Much of current market behavior can be attributed to the interests and lifestyles of the Millennial. It's important to understand this driving force behind almost every aspect of certain market changes. This is the second largest generation group in U.S. history, just recently overtaken by Gen Z. Although they aren't the most powerful spending power in the market (yet), they are certainly the most influential. It is estimated that by the year 2020 they will account for nearly one-third of all spending in the country.

In regard to the other two-thirds of spending, what you are seeing is what happens in every generation. The previous generations want to get in on the excitement that is currently trending, and the ease of technology and information sharing has made that more convenient and accessible than any other time before.

Depending on who you ask, the Millennial generation can start anywhere from 1977-1983 and end near 1995-2000. Most analysts can agree on a 15-year span between the start and end, with the only discrepancy on where it begins.

Millennials:

- Are the second-largest generation group in U.S. History
- Will account for one-third of all U.S. spending by 2020
- Desire to become home-owners



Within that 15-year span there exists sub-categories that are influenced by the Millennial's age or development when certain key events happened. This includes events like 9/11, the rise of social media, and the Great Recession. Millennials born in the latter half of the generational timeline were less impacted by 9/11 or the Great Recession, as they weren't into their formative years of career growth or personal development. Those born during the first half of the timeline – known as “Xennials” or even “Grey-Beard Millennials,” have slightly different patterns or behaviors due to these watershed moments. This includes voting tendencies, continued adherence to social media, and retail preferences. An overwhelming percentage of Millennials plan to own a home in the future (who don't already), despite being a generation that is wracked with educational debt.

There is a caricature of the Millennial that is an avocado-toast eating, tattoo-sporting, entitled cynic who enjoys activated charcoal in everything and complains without acting. Exaggeration is common when casually alluding to a generation that isn't your own. However, the reality sits further away in a deeply rooted and shared set of characteristics.

As Millennials come into their own in the next decade, we're already seeing a resurgence in suburban areas that offer housing, cultural, and transit options that meet their lifestyle needs, and have access to shopping experiences that provide them with the brands and experiences they desire. It will be important to engage them on both the physical and digital level, through elements we'll outline below. By understanding and tapping into this generation, we are tapping into one of the largest groups of consumers that are being looked-up to by younger generations, and emulated by older generations.





Health

Millennials are an extremely health-focused generation with their spending habits. They are active, eat well, and even experiment with non-traditional diets that range from paleo, veganism, and ketosis. This is for a variety of reasons, which include animal ethics, dietary restrictions, environmentalism, health, and even something as simple as preference. Because of this popularity, other generations now have unprecedented access to these new health options that they didn't previously, and they're curious.

Places like Luna Grill, who have been offering vegetarian/vegan options since 2004, have seen continuous growth and success with their plant-based offerings. They have always viewed it as a clean and healthy way to live, both individually and environmentally. This philosophy lines up perfectly with today's market patterns, which we will see with other retail sectors in different ways.



When it comes to their exercise they are all about deconstructed fitness, otherwise known as “[boutique fitness](#).” OrangeTheory Fitness, SoulCycle, Pure Barre, Crossfit, CorePower Yoga, Club Pilates and others make up the new wave of staying in shape. Their interest revolves around specialization, intensity, and brand loyalty. People want to show up, work hard, and move on to their next goal or interest. These memberships are not cheap, which demonstrates the importance of

Millennials:

- Have varied, non-traditional diets
- Prefer deconstructed, specialized fitness
- Desire work-life balance
- Enjoy outdoor lifestyles with a focus on environmentalism



deconstructed, specialized fitness in their lifestyles. Additionally, each of these concepts creates a close-knit sense of community. It is fostered through things like social media, and it becomes a sort of second family of shared suffering and personal progression.

This also adds amazing potential for merchandising and leasing opportunities. Where you once had a huge anchor location being occupied by one gym you now have the same amenities spread out through a center. Placing a café that provides healthy eating options next to a yoga studio instantly creates synergy that might not have been there before. We see this directly at Westlake Plaza with a Mendocino Farms near an OrangeTheory Fitness and Core Power Yoga, as well as a Nektar Juice by Big Fish Yoga at our South Beach Regional center.



These active lifestyles also translate into a lot more time spent outdoors. Companies like Patagonia and REI have seen a lot of success with the Millennial generation because of their focus on environmentalism, eliminating waste, and quality service. Patagonia, especially, has seen a rise in following due to their unique philosophy on work-life balance, sustainability, and their interesting focus on people over profit. Instead, they look to have products that facilitate a lifestyle for those who value the outdoors. The lifestyle becomes the brand, and that is what keeps people shopping there. Additionally, REI keeping their stores closed on Black Friday also demonstrates a people-over-profit ethos that resonates extremely well with current shoppers.



Food



Millennials:

- Seek out unique dining experiences
- Have an aversion to “look-alike” chains
- Believe food quality trumps novelty
- Want to share the dining experience via social media

Not only do Millennials tend to eat healthier than any previous generation, there is an aspect of discovery that goes into what is consumed. An increase in food options is occurring at different price points throughout the commercial real estate sector. Upscale steak houses, family-style dining, street food eateries, food trucks, food halls, and even micro-to-large-scale brew pubs are extremely successful. What they have to get right is the “experience” in eating.

Millennials are turning to apps like Yelp, Urbanspoon, Foursquare, and—by proxy—Swarm in order to find recommendations. They are looking for something unique or special to others that they can then go and experience for themselves. These apps are efficient tools to gather and process a lot of authentic information quickly. Even here at Regency we understand the importance of not only physical properties, but how our properties are found in a digital environment. We’ve partnered with Yelp and a company called Yext in order to enhance our digital listings, claim “rogue” property social pages, and create new ones in order to track the metrics on how often our sites are being searched for. This gives us great insight into activation times and what people are looking for within the amenities, and it helps us merchandise better.

Given the rise of social and environmental awareness in today’s consumers, being able to quickly identify who is a local farm-to-table concept, who uses paper straws, and even compostable containers is a big part of selection. Environmentalism that stems from active lifestyles translates directly into retail operation preferences, and even goes into localism.



Many concepts work with this hyper-local focus in their entirety. Sometimes customers don't want to eat in a chain that looks like every other location across the country. The operators don't have to necessarily be one-off mom & pops, but the concept embodies something that speaks to where they are, geographically. Expanding food concepts like Mellow Mushroom and First Watch are great examples of this within our own portfolio.

Twenty years ago "themed" restaurants were expanding at a rapid rate. They had a spectacle about them that drew in a lot of customers for a certain time period. However, the food quality was lacking, and the novelty of the environment wasn't enough to sustain their success in the long term. If you can't get the food right then you won't keep the customer.

This has led to the extremely popular and sustainable chef-driven restaurant concepts. These work because a culture of "foodies" was spawned by various TV shows that demonstrate the knowledge and intrigue of what goes into food. Before this no one wanted to see behind the silver doors into the kitchen. Now, everyone wants to see the chef, the process, and the experience. Stations like the Food Network and shows like No Reservations were integral to introducing this to the Millennial generation in their formative years. Food isn't just about trying flavors; it's about experiencing a culture – as well as sharing it. A good example of this is Milkcraft, whose entire build-out seems to be a picture waiting to be taken.



For us at Regency Centers, we're looking for the same sorts of concepts that will resonate with our customers. We are trying to select the best operators, instead of going for only who has the best credit. Not that credit isn't important, but a tenant with great credit who does lousy sales isn't a winning strategy. People don't drive across town see an operator's great balance sheet. However, tenants who are great operators will end up having great balance sheets, so often times the two can go hand in hand.

At home, this generation recognizes the limited time for cooking, and social interaction has been incorporated with cooking as an "experience." Blue Apron, Purple Carrot, Plated, and many others have created a market that doesn't just deliver a meal, it delivers an experience that can be shared in the household. Even traditional grocers have adapted to this concept by adopting these programs directly into their stores. Walmart has even initiated their own proprietary service, instead of acquiring one of the preexisting brands as others have done.



Technology



The speed at which technology has evolved and engrained itself into everyday life has moved faster than ever. Because of this, there is a huge variety of how and when people like to use it for their personal lifestyles. There is no one-size-fits-all application, even amongst a specific age cohort, which means that retailers and grocers are experimenting with a myriad of strategies to see what that perfect balance looks like.

Technology, in the sense we are talking about here, is about better customer service and the three pillars within:

- **Reliability**
- **Connectivity**
- **Efficiency**

The first is reliability. Customers expectations are now set before they ever enter a building. It addresses things like what is on the menu, is the product or service being offered a fair/comparable price, and what are all the features and benefits of said product or service. This is a market that is overflowing with consumer knowledge and foresight, and technology is the place to keep them informed.

Millennials:

- Expect reliable consumer information
- Utilize connectivity to open dialogue and provide instant feedback
- Desire efficiency of time and money when making decisions of where and how to shop



Connectivity is the second pillar. Never before have retailers been able to see customers reviews and address them in real time. These can be sourced through their own website, social media pages, and through peer groups like Angie's List, and even Reddit. Positive reviews provide retailers with green lights to anticipate trends and inventory, as well as service demands. Bad reviews can be used to modify the services and to tailor fit the offerings, and a direct dialogue can be created through digital platforms instead of waiting for people to arrive at a customer service desk.

Efficiency is the third force in technology. Retailers are using technology to provide the most efficient means of customer transactions, including more choices. It also dramatically lowers costs by figuring out exactly what people want. For example, grocery store shoppers can elect traditional checkout, self checkout, order and pickup, or immediate/scheduled delivery. Providing different choices and costs provide flexibility and, of course, efficiency. Saving someone time is the same thing as saving someone money, and that's what delivery and pick-up really are: a way to save customer's money.

Plus, a retailer/grocer doesn't want someone to say "I'm going to go to my H-E-B for a traditional pick up, Amazon for delivery, and then Kroger for click and collect." The retailer wants the customer for all these types of transactions by creating a loyalty and love the brand via their customer service, which we have already outlined is such an important part of retail at this point. Technology allows these things to happen where there weren't these kinds of options before. Even the aforementioned examples have all blended these strategies together.





Many places that people wouldn't expect are now experimenting with pick-up, delivery, and fulfillment services. This type of retail testing is creating an entirely new set of behaviors and patterns that were never before associated with certain categories. How this efficiency will develop and become sustainable is what everyone is still trying to figure out. It's a new market, and will take time, but the consumer need is there.

If technology is offering a more efficient and simpler way to go and experience the things they value in life then it will unquestionably be used. It's not an issue of impatience; it's the path of least resistance. When viewed under that lens, Millennial technology behavior and use just make sense. As other age cohorts see this option being utilized, they then get on board with the ease of use and comfort.

On the flip side, if the tech is too cumbersome or not developed well then it will be avoided entirely. Millennials are willing to get out there to the bricks and mortar locations to get their hands on something authentic or valuable. Because there are so many digital elements to the Millennial's life there is a pendulum swing of interest to real and authentic experiences in person. This touches on the appreciation for outdoors, and then back to the importance of environmentalism. It has also opened up a huge variety in what everyone is talking about now, which is the "experience" or "experiential retail."

There is an additional shift that is happening with technology lately, where it's not creating these massive and global groups and organizations. Instead, it's creating a type of digitally woven tribe within certain communities and lifestyles. Decades ago, people used to get recommendations on products and food from institutions and large organizations that claimed to be experts on the different subjects. Nowadays, people are moving away from large institutions, and focusing more on their "tribes." It guarantees that they aren't being advertised to or having information spun in their direction. It's authentic.



Events and Experience



Millennials:

- Desire authentic experiences for themselves and their growing families
- Utilize social media to reinforce real-world community connections
- Seek out enjoyable customer service

“Xennials” or “Grey-Beard Millennials” have transitioned from adolescents into homeowners and young families. This has caused a market shift with the baby product industry, as well as home goods that hadn’t been affected before. These tech-savvy parents grew up without the internet, but were the early adopters of what became the powerhouse of social media and digital utility. Because of this, they understand the benefits of a digital world, but also the drawbacks. They don’t want their kids glued to an iPad anymore than the previous generations, but it’s hard to create that separation when life tends to revolve around its various uses. Replace the iPad with TV and you see that the concerns of a glowing screen on children really haven’t changed much throughout the years.

This is another reason why “experience” and authentic interaction is so important. We’ve talked about the importance of placemaking in our centers and how that serves as a [community gathering hub](#). Throughout the country we are actively programming events that serve as a draw not just for these new families, but for communities as a whole.

Signature events and ongoing programming at some of our properties has become an important part of the third element of our Fresh Look® strategy: Connecting.

Connecting really begins during the development process where we actively engage with our communities through digital channels such as social media or property websites. We foster an ongoing dialogue with the community in an effort to understand their desires for the center. In a recent case, our very



active Facebook fans of [Mellody Farm](#), the largest active retail development in Chicagoland, provided us with crowdsourced suggestions for new merchants at the center leading to signed leases with some of the crowd favorites.

The next phase is in the actual design of the center, with features and amenities that fit the needs and lifestyles of the customers. It must also be reflective of the local aesthetics, while also being innovative, interesting, and unique. A Spanish-style tiled-roof design will feel out of place in a center located in Pennsylvania, just as a kinetic art piece like the one at The Village at La Floresta would feel out of place at The Abbot in Cambridge, MA. This demonstrates the importance of becoming integrated members of the surrounding communities, enhancing the overall feel of the property, and simply making it a great place to meet up with friends.



The Village at La Floresta | Los Angeles, CA

As the center transitions to grand opening and operating, we host events to help the neighborhood get to know the merchants at the center and help it become a fabric in the lives of the community. Traditional and digital media help us spread the word about the center. We have had great success using social channels and mobile advertising to help build an engaged fan base and use those media to turn “digital eyeballs” into footfall at the center.

We also see photo-based social media, such as Instagram and SnapChat, as a viable tool to building an engaged audience for our centers. The old “Kodak Moment” has now become “Instagrammable” areas that we are beginning to build into our centers as part of placemaking. Likewise, we are creating events that provide for these same shareable moments to allow our fans to help spread the word about the center to an even wider audience.



This melding of the digital and the physical is exactly what Millennials are identifying with. How can the digital world enhance or expedite their experiences in the physical world? It also allows us to see the analytics from our campaigns to see what does and what doesn't work. This way we can continue to create content, events, and promotions that are a service and not an annoyance.

Bookstores, which were once thought to be a dying industry, are making a comeback that no one predicted. If you look at the new Barnes & Noble prototypes you will see a café that you can buy beer or wine at while you shop through the aisles. This helps to provide a social authenticity that you just can't replicate online. It also taps into the aesthetics of Millennial's appreciation for food as a shared and cultural experience. Lucky's Market is another good example of this in the grocery sector. So, while headlines are trumpeting that bricks and mortar are going the way of the Tyrannosaurus thanks to some kind of technology asteroid, the numbers show that it couldn't be further from the truth.



Customer service also falls into the category of "experience." Remember that counter culture aspect that was pointed out earlier? There is an assembly line feeling to a lot of "last-generation" retailers that just doesn't resonate with Millennials. Places that offer little to no service – or lousy service – seem to have no interest in making a relationship with someone who is willing to exchange money for a product. That old sales tactic of having helpful employees who are knowledgeable about the services being provided is a massive part of modern retailer success. A clear example is the Apple model with their bricks-and-mortar stores. Locations like the one at Market Common Clarendon have cracked the code on making sure any experience in the store is a pleasurable one by providing focused care for any issue.

Respect has to not only be shown for the consumer's time, but also their cash—and sometimes where that money goes. Many companies, like TOMS shoes, have used their customer/company relationship to provide services to charitable causes. Patagonia and REI, again, uses proceeds towards conservation initiatives that it promotes via email marketing and social media. Consumerism with a cause works, and makes people feel good about their shopping habits.

To put it plainly, if your customer experience isn't designed to be enjoyable and rewarding from entrance to exit then it's runs the risk of not being successful. Customers will then go elsewhere (possibly online) where it is executed in a better format or concept. It's really that simple.



Final Thoughts

Now we circle back to the opening and “efficient authenticity” as the ethos of Millennial-influenced spending habits and trends. Technology and fitness needs to be efficient. Food and environmentalism needs to be authentic. Sharing authentic experiences needs to be efficient. If an experience isn’t efficient or authentic then the customer will probably go somewhere else – like social media or online shopping – in order to get exactly what they are looking for. This is what is creating that bifurcation between retailers that are thriving and those that are wilting.

Although Millennials aren’t the economic powerhouse of the current market, their lifestyle patterns are certainly the catalyst for the changes we’ve been seeing in commerce. What this will look like in ten years no one can be sure, but having a strong grasp of what is happening now will certainly prepare adaptable and focused operators to thrive no matter what the outcome. This is why we here at Regency Centers believe it is so important to not just learn from the innovators, but to innovate on and support the success of those who “get it.”