retailthinktank
KPMG | Ipsos Retail Performance

Millennials v Grey Pound – Who holds the key to future retail success?

- Knowing what drives the current 'Grey Pound' is useful in the short term but in the long term this generation will be replaced -

- Future retail success lies in being able to adapt to the millennial way whilst making changes appear to be evolutionary, rather than revolutionary, to the 'Silver Surfers' –

- Or is it the generation behind Millennials which really hold the key to future retail growth? -

28 April 2016

Introduction

Future retail success depends on retailers staying relevant to their customers. But, it's been a long time since any single retailer managed to conquer the Herculean task of being able to attract all types of customer within one format…Martin Hayward, Founder, Hayward Strategy and Futures, argued that perhaps "for a few years during its golden period, Tesco did manage this, attracting old and young, rich and poor, big shops and top-ups to its different formats and sub-brands but this time has passed."

So with retailers seemingly no longer able to attract all types of customer, where should they focus their efforts in order to drive growth?

Maureen Hinton, Conlumino, pointed out that, at its simplest level the answer to this question is obvious; Millennials should clearly be the focus for retailers given that they will physically be around for a lot longer than those consumers who fall into the 'Grey Pound' category, who, because of the point in their lifecycle are on the verge of dying out. As such, it's retailers such as "River Island, or H&M, that continually keep adapting their proposition to match the current lifestyle and behaviours of their target customer group [that] thrive."

However, who has the most to spend? David McCorquodale, UK Head of Retail, KPMG, suggested that "with high student debt and house prices being out of reach for first time buyers, it might seem unwise to seek success from the younger generation," and perhaps it is better instead for retailers to focus attention on winning "the Grey Pound who are living younger longer, are working harder, have the pensions to spend and who have adapted to technology."

The KPMG/Ipsos Retail Think Tank (RTT) met in April to discuss the future of retail success and whether it is Millennials or the 'Grey Pound' that will be the key to driving growth.

Grey Pound – the upsides

In considering this question, a number of the RTT members agreed that focussing on the Grey Pound offers retailers a variety of opportunities for retail growth, particularly in the near-term.

Most fundamentally, the Grey Pound is effectively bigger than the 'Millennial Pound'. Maureen Hinton highlighted that "there are more people aged 65+ in the UK population than 16-24 year olds, so the total spend is much greater; in clothing £6.7bn against £6.1bn." What's more, ours is an ageing population which means that UK population over 65 will be 27% of total adult population by 2030meaning this is clearly a hugely significant group for retailers.

In addition, James Knightley, Senior UK Economist, ING, noted that the 'Silver Surfers' are more likely to have kept their jobs during the downturn compared to UK youth unemployment which, even now, remains well above the national average (13.7% versus 5.1%). "Add to this, changes to age discrimination legislation which mean more over 65s are also exercising their right to maintain an income and continue working."

This generation are also far more likely to enjoy generous final salary pension schemes when they retire. James Knightley added "retirees have benefitted from the government's "triple lock", resulting in real term increases in the state pension while those in work are only now starting to see incomes rising faster than the cost of living."

As such, "structural issues in the economy mean that a substantial amount of the country's wealth is concentrated among the older generation, particularly due to the rise in the value of their homes," said Martin Newman, CEO, Practicology.

The Grey Pound is not just a bigger representation of the population in actual terms, Jonathan De Mello, Head of Retail Consultancy, Harper Dennis Hobbs, pointed out that "this generation has greater levels of disposable spend and certainly in the short term the 'Greys' represent the most considerable untapped opportunity - and retailers would do well to focus more product lines - and marketing - on them specifically."

But what are the downsides?

However, while there is a strong case not to ignore the 'Grey-heads' in the quest for retail growth, the RTT pointed out that there are some disadvantages in focussing too much on this demographic.

The main problem with going after the Silver Surfers; is not an issue of the amount of money they have to spend, but more what they are choosing to spend that money on. Tim Denison highlighted that "health products and home maintenance are the only two categories in which the senior consumer spends more per person than the average UK household," which is not going to be a recipe for success for the majority of retailers.

Mike Watkins added that while older consumers may have a bit more cash at the moment, they are often less experimental and can be less open to innovation.

Martin Hayward also noted that "older customers do eventually stop spending and any retailer's customer pot will be diminished if new younger customers aren't brought in to replace them. This is currently under debate with Marks and Spencer's clothing business which many believe to be focussed too much towards the older loyalists at the expense of younger customers who do tend to spend more on fashion."

However, Maureen Hinton highlighted that targeting the Grey Pound, specifically in clothing is not that easy when you take into consideration the fact that there are essentially two distinct generations in this age group: "the post-war 'Baby Boomers' and their parents – and they have very different tastes and styles. The Baby Boomers have been avid consumers since the 1960s, unlike their parents who have a more austere attitude to spending, and therefore tailoring a proposition that satisfies both is a tough challenge."

So how do retailers win and keep a share of the Grey Pound?

Jonathan De Mello pointed out that "whilst traditional Millennial marketing might not resonate as strongly with the older generations, they certainly do not feel old, or want to be marketed or sold products in a way that makes them feel old…Greys are increasingly technology savvy with nearly 90% shopping online using a laptop, and circa 50% owning and using a tablet for shopping online. Many are also on Facebook and other social media, so the perception that online media cannot reach them is a fallacy."

Millennials – what are the upsides?

So while there are pros and some cons to putting too much store on the Grey Pound, other RTT members considered the potential boon of focussing on growing share of Millennials spend to drive retail growth.

“Looking at the Millennials, they are having a profoundly disruptive influence on the retail industry,” said David McCorquodale. “The disruption is caused not only by their sheer spending power – they are the biggest generation in history – but also by the way they buy. Only 1% of them are influenced by advertising, but a third consult a blog or peer review before making a purchase.”

In sectors such as fashion and health & beauty, for example, Millennials spend more on themselves than the 65+s. Maureen Hinton pointed to Verdict’s research “which shows 16-24years spend on average £826 per head per annum on clothes while the 65+s spend £565 per annum.”

Yet, according to Mike Watkins, “the most compelling reason for a retailer to capture the lifetime loyalty of Millennials is that in the next 10 to 20 years, female Millennials will become the driver of retail spend…even within consumer goods shopping, women account for 70% of spend and female Millennials will only become more important shoppers in terms of income available to spend. Female Millennials are increasingly promiscuous and they are found in increasing numbers in ‘price driven’ stores. However it’s not all about price as they are willing to pay for what they consider are essentials in their lives.”

Ultimately, retailers need to embrace Millennials in order to grow sales in the next two decades because if they choose not to, then they are at risk of losing the consumers of tomorrow.

But what are the downsides?

In contrast, James Knightley pointed out that “much of the analysis regarding Millennials has focused on their struggles. Burdened by student debt, high housing rents and faced with a more challenging jobs market than many before them, they are less financially secure. Surveys suggest that they have less appetite for marriage and parenthood and are less inclined/able to make major purchases such as a home or a car.” Jonathan De Mello added that many Millennials have also had to rely on their parents (the Greys!) for financial support.

So does it really make sense for retailers to pin their hopes on this demographic in order to drive future growth? David McCorquodale highlighted that “Millennials can be volatile and are likely to shun brands with bad stories…[while] the Silver Surfers come from a generation that have loyalty, adapt slowly to change, like social interaction when shopping and perhaps are tolerable to a drop in standards.”

Yet Tim Denison commented that despite this, “it’s the fast-living, younger shoppers that retailers rely on to keep the tills ringing from the fashion stores through to the value chains. It’s why so much investment is being sunk into providing an omni-channel service that speaks to the digital native and meets their anywhere, anytime, anyhow shopping habits.”

“Millennials demand a seamless shopping experience, whether they interact with a retailer in a digital or physical sense,” according to Jonathan De Mello. “As a result, particularly in the fashion sector, brands have to constantly reinvent themselves in order to maintain growth - or risk falling by the wayside entirely…Nike (running clubs/Nike+), H&M (catwalk videos) and in the UK more recently Mamas & Papas (interactive touchscreens) are retailers actively targeting Millennials - all have sought to integrate digital into the shopping experience, and to ensure that visiting their stores is about more than just buying product.”

So how do retailers win and keep a share of Millennial spend?

Key to this is the “sharing economy” which provides access to products and experiences without the burden of ownership. David McCorquodale highlighted that “Millennials are not necessarily consumers in the same way that their parents are. You only have to look at how they subscribe for music and books rather than buy – they will rent, not own; share, not hire."

James Knightley added that "in terms of the Millennials' retail experience, technology is a very important factor in how they shop. The use of price comparisons, the ability to get more product information and a greater focus on reviews means that they are more knowledgeable on products and arguably more demanding." Therefore, to win with the Millennials, retailers need to use analytics tools to filter the information provided and the show that they are listening because Millennials ultimately feel loyal to a brand if they feel the brand is trying to give them something that adds value to them.

Is it possible to win at both with both generations?

While there are ways of targeting consumers within different generations in order drive growth, the RTT also discussed whether it was possible to reach both Silver Surfers and Millennials.

The good news, according to Martin Newman, is what older customers want may well appeal to younger generations too, and vice versa. For example "new digital and mobile ways of allowing customers to buy from you, or interact with you, are likely to appeal to both ends of the spectrum. Retailers such as John Lewis and N Brown Group, who historically have had large older customer bases, are doing very well at selling via the web and mobile. This demonstrates that it's not just the younger generation who benefit from the flexibility and choice that multichannel retail can deliver. "

Does age determine spend?

Currently, there is much debate around whether demographic segmentation is in fact relevant anymore. When asked the question at the Retail Business Technology Expo conference last month Dr Nicola Millard, a consumer futurologist at BT, stated that age was now one of the worst means on which to differentiate consumer behaviour.

Martin Hayward added that "in today's society, age, class, income and even gender are less indicative of behaviours and spending patterns than they have ever been. The old are trying to be young, the 'poor' aspire to designer lifestyles."

As such, Dr Tim Denison, Director of Retail Intelligence, Ipsos Retail Performance, suggested that it is "physical and societal events during one's formative years which create personal values that remain relatively stable through time and which shape our expectations, perspectives on living and behaviour."

It is these commonalities and shared experiences within generations that are relevant to retail marketers and may help provide some insights into targeting consumers within different generations in order drive future growth.

Conclusion

The RTT concluded that retail growth is not really going to come from focussing on winning share of spend in either the Grey Pound or the Millennials. David McCorquodale noted that "future retail success must lie in being able to adapt to the millennial way whilst making this change appear only an evolution, rather than revolution, to the Silver Surfers...Agility would appear to be the key as the demands of the Millennials change more regularly; and also transfer with ease to the Silver Surfer. This is the area where success can be won or lost."

But what does future retail success look like? It depends whether you take a long or short term view on growth. Maureen Hinton suggested that while knowing what drives the current Grey Pound is useful in the short term, in the long term this generation will be replaced. Therefore, "understanding Millennials with their digital lifestyles and new attitudes to spending will provide the key to retail spending over the longer term."

Added to this, Tim Denison commented that while "Millennials may be entering their peak earning years, with GDP per capita growth on the decline and consumer spending slowing, they won't be as rewarding and loyal a customer-base as their parents were at the same stage in their lives.” Therefore it may well be that it is the generation behind the Millennials with new demands and new traits that hold the key to future retail growth.

So does the question then become focused on Generation Z and maybe even the children of the Millennials, who will no doubt demand, shop, and spend in whole new ways? If this is the case, agility will be even more key and retail success will come from those retailers who adapt to thrive and remain relevant to their customers.

Part II: In detail – Individual views of the KPMG/Ipsos Retail Think Tank members

James Knightley, Senior UK Economist, ING

Developments during and after Global Financial Crisis suggest that the ‘Grey Pound’ is likely to be the more dominant driver for consumer spending in the near-term. Older people were more likely to have kept their jobs during the recession while even now UK youth unemployment remains well above the national average (13.7% versus 5.1%). Pensioners’ incomes from savings may have deteriorated due to low interest rates, but asset prices have risen significantly and changes to pension legislation mean it is easier to access and spend lifetime savings for the over 55s. Furthermore, retirees have benefitted from the government’s “triple lock”, resulting in real term increases in the state pension while those in work are only now starting to see incomes rising faster than the cost of living. Add in the ageing of the UK’s population – 35% of Britons will be over the age of 65 within 15 years – and this is clearly a hugely significant group for retailers to focus on.

In contrast, much of the analysis regarding Millennials has focused on their struggles. Burdened by student debt, high housing rents and faced with a more challenging jobs market than many before them, they are less financially secure. Surveys suggest that they have less appetite for marriage and parenthood and are less inclined/able to make major purchases such as a home or a car.

A key result of this is the development of the “sharing economy” which provides access to products and experiences without the burden of ownership. In terms of the Millennials’ retail experience, technology is a very important factor in how they shop. The use of price comparisons, the ability to get more product information and a greater focus on reviews means that they are more knowledgeable on products and arguably more demanding.

That said, as the economy continues to strengthen, job opportunities will improve and with the number of ‘Baby Boomers’ retiring in the coming years set to increase, the potential for career progression and higher incomes will also naturally rise. As a result, a focus on using technology and social media to engage with these (potentially) wealthier consumers should be a priority.

Dr Tim Denison, Director of Retail Intelligence, Ipsos Retail Performance

Grey is not the new black.

There is much current debate around whether demographic segmentation is relevant anymore. When asked the question at the RBTE conference last month Dr Nicola Millard, a consumer futurologist at BT, stated that age was now one of the worst means on which to differentiate consumer behaviour. Seemingly this viewpoint is upheld by recent comments made by the outgoing head of music at BBC Radio 1, George Ergatoudis, stating that 60 year olds and 13 year olds share 40% of their playlists and taste in popular music.

The counterview that I sign up to is that physical and societal events during one’s formative years creates personal values that remain relatively stable through time which shape our expectations, perspectives on living and behaviour. The belief is that the commonalities shared within an age cohort are far greater than the differences between cohorts. ‘Baby Boomers’, for example, reached their 20s in the 1970s when cars and overseas holidays first became affordable to the masses creating a carborne, sun-seeking society, and a throwaway culture, where weekly trips to the supermarkets and sangrias on the Costa Del Sol became *de rigour*. Millennials, in marked contrast, grew up with terrorist attacks in the 2000s, such as 9/11 and the Bali bombing, and natural disasters, like the SARS epidemic and the Indian Ocean tsunami, shaping them to become security-conscious by nature and curious about greener living. Certainly retail marketers still find these characterisations relevant and useful for targeting their audiences.

Just as winning new business generates more excitement than retaining existing clients, so retailers tend to gravitate towards to targeting the younger generations. But does it make good business to chase after the coat tails of today's youth? We are an ageing population, with more Baby Boomers than Millennials (22.8% vs 20.2%). The over 50s hold 80% of household assets, 60% of savings and 40% of disposable income. And don't fall into the trap that the elderly are more spend-thrift. They account for 47% of consumer spending (Saga, 2015).

On these grounds alone there is a strong case not to ignore the 'Grey-heads', who, incidentally, are often referred to, very tellingly, as citizens rather than consumers. The problem with going after the 'Silver Surfers' is what they spend their money on. Health products and home maintenance are the only two categories in which the senior consumer spends more per person that the average UK household. That's not a recipe for success to the majority of retailers.

It seems after all that it's the fast-living, younger shoppers that retailers rely on to keep the tills ringing from the fashion stores through to the value chains. It's why so much investment is being sunk into providing an omni-channel service that speaks to the digital native and meets their anywhere, anytime, anyhow shopping habits. The family-starting generation holds the key to retail success in the future, just as it has in the past. The Millennials may be entering their peak earning years, but with GDP per capita growth on the decline and consumer spending slowing, they won't be as rewarding and loyal a customer-base as their parents were at the same stage in their lives. The key may not open as rich a treasure trove as in the halcyon '90s, but it's the best one to possess.

David McCorquodale, UK Head of Retail, KPMG

Looking first at future retail success, I take this to mean a retailer that is relevant to its customers, selling goods that are appropriately priced and with growing sales and profitability. Intuition might tell me that with high student debt and house prices being out of reach for first time buyers, it would be unwise to seek success from the younger generation. Instead, it might be best to focus on the 'Grey Pound' who are living younger longer, are working harder, have the pensions to spend and who have adapted to technology. The 'Silver Surfers' come from a generation that have loyalty, adapt slowly to change, like social interaction when shopping and perhaps are tolerable to a drop in standards. Isn't the easier route to success staying relevant to this generation of 'Baby Boomers'? Perhaps, but success is not always achieved by taking the easier route.

Looking at the Millennials, they are having a profoundly disruptive influence on the retail industry. The disruption is caused not only by their sheer spending power – they are the biggest generation in history – but also by the way they buy. Only 1% of them are influenced by advertising, but a third consult a blog or peer review before making a purchase. They are so connected and give freely of information online. Millennials are not necessarily consumers in the same way that their parents are. You only have to look at how they subscribe for music and books rather than buy – they will rent, not own; share, not hire. On the flip side, Millennials can be volatile and are likely to shun brands with bad stories. It would only take one calamity in the supply chain or a cyber attack that leaks shoppers' credit card details and trust could be lost.

Future retail success must lie in being able to adapt to the millennial way whilst making this change appear only an evolution, rather than revolution, to the Silver Surfers. To strive for success with the Millennials, retailers need to use analytics tools to filter the information provided and the show that they are listening. Millennials feel loyal to a brand if they feel the brand is trying to give them something that adds value to them – this may just be as simple as providing peer reviews in-store. Agility would appear to be the key as the demands of the Millennials change more regularly; and also transfer with ease to the Silver Surfer. This is the area where success can be won or lost.

My prediction, however, is that the generation behind the Millennials will have new demands and new traits. Will the next generation be so free with the information it puts online or be more guarded? If the latter, the drive for personalisation will become even harder. Will the next generation have greater demands on supply chains – perhaps even negating the need for a retailer at all, unless the retailer has its own product. People change, demands change and the successful retailer is the one who adapts to thrive and remain relevant to its customers.

Martin Hayward, Founder, Hayward Strategy and Futures

It's a long time since it's been possible to convincingly segment the population based on a single demographic distinction, and the current interest in age based cohorts is no exception to this.

In today's society, age, class, income and even gender are less indicative of behaviours and spending patterns than they have ever been. The old are trying to be young, the 'poor' aspire to designer lifestyles, and some are even choosing which gender they prefer.

That said, there are some age effects that cannot be ignored – older customers do eventually stop spending and any retailer's customer pot will be diminished if new younger customers aren't brought in to replace them. This is currently under debate with Marks and Spencer's clothing business which many believe to be focussed too much towards the older loyalists at the expense of younger customers who do tend to spend more on fashion.

However, it is some time since any retailer has managed to master the Herculean task of being able to attract all types of customer within one format. It could perhaps be argued that for a few years during its golden period, Tesco did manage this, attracting old and young, rich and poor, big shops and top-ups to its different formats and sub-brands but this time has passed as the grocery market becomes ever more segmented.

The other issue is who has the most to spend? Again it all depends…Millennials have enormous pressures to cope with student debts and housing inflation, but many still live with their parents to maintain their disposable income. The 'Greys' enjoy the benefits of housing stock and more generous pension arrangements but perhaps prefer to invest in lifestyle expenditure such as holidays and healthcare rather than goods.

To navigate these complexities, the answer for retailers is to focus more on need or desire rather than the demographics per se. With the possible exception of fashion, where product is arguably more age related than most categories, a good retail experience, a clear value proposition, and efficient logistics are all more important than how old the customers are.

Maureen Hinton, Conlumino

So who holds the key to future retail success? The answer appears to be very obvious – the Millennials as they will be around for a lot longer than the grey pound who, because of the point in their lifecycle are on the verge of dying out.

But this assumes a retailer will follow a customer throughout their lifetime rather than target a particular age group. As we have seen with M&S this leads to terminal decline as their customer base literally starts to die off, while retailers such as River Island, or H&M, that continually keep adapting their proposition to match the current lifestyle and behaviours of their target customer group thrive.

So which of these should retailers be targeting? In a sector like clothing and health and beauty for instance the Millennials spend more on themselves than the 65+s. Verdict's research shows 16-24years spend on average £826 per head per annum on clothes while the 65+s spend £565 per annum, so it would seem the Millennials are more attractive. However this does not take account of numbers – there are far more 65years in the population than 16-24years so the total spend is much greater; £6.7bn against £6.1bn. So the Grey Pound is bigger in this case.

Yet targeting the Grey Pound in clothing is not that easy as there are two distinct generations in this age group – the post-war 'Baby Boomers' and their parents – and they have very different tastes and styles. The Baby Boomers have been avid consumers since the 1960s, unlike their parents who have a more austere attitude to spending, and therefore tailoring a proposition that satisfies both is a tough challenge.

Indeed these Baby Boomers are very similar to Millennials in that they have been the key drivers of past retail trends and Millennials are the key drivers of future trends. Understanding Millennials with their digital lifestyles and new attitudes to spending will provide the key to retail spending over the long term. Knowing what drives the current Grey Pound is useful in the short term, but not long term – they will be replaced.

Martin Newman, CEO, Practicology

From a demographic point of view, Millennials outnumber those over 65, and will be consumers for many years longer. Data from the 2011 UK census showed 12.6m consumers between the ages of 15-29, while there were 10.4m aged 65 or over.

So it might seem obvious to focus heavily on what younger consumer audiences want, particularly if you assume that they are the driving force behind changes in consumer behaviour.

But life (and retail) is never that simple. For a start, structural issues in the economy mean that a substantial amount of the country's wealth is concentrated among the older generation, particularly due to the rise in the value of their homes. Middle-class 'Baby Boomers' are far more likely to enjoy generous final salary pension schemes than Millennials can expect to receive when they retire. And changes to age discrimination legislation mean more over 65s are exercising their right to maintain an income and continue working.

Meanwhile, Millennials must pay for university education, face relatively high rates of unemployment and housing costs eat a large proportion of their salary unless they continue to live in the family home (which increasing numbers are doing).

The good news is, what older customers want may well appeal to younger generations too, and vice versa. Data from Ofcom from 2015 on the use of technology by different age groups highlights how outdated perceptions are about the over 65s not being tech-savvy.

For example, tablet ownership among the over 55s has increased nine-fold in the past three years, and 37% now have access to a tablet. Meanwhile 48% over 55s own a laptop, and 32% a smartphone.

And broadband penetration among older consumers is quickly catching up younger generations too. Again, Ofcom's 2015 figures show 91% of 16-24 year olds have access to the internet at home, where as it is 75% among the 65-74 age group (but grew by eight percentage points between 2014 and 2015). New digital and mobile ways of allowing customers to buy from you, or interact with you, are likely to appeal to both ends of the spectrum. Retailers such as John Lewis and N Brown Group, who historically have had large older customer bases, are doing very well at selling via the web and mobile. This demonstrates that it's not just the younger generation who benefit from the flexibility and choice that multichannel retail can deliver.

Mike Watkins, Head of Retailer and Business Insight, Nielsen UK

As a famous poet once wrote, `the times, they are a changin` and the future success of many retail chains will require some different thinking around shopper behaviour.

Harnessing the spending power of the earned or inherited wealth (the 'Grey Pound') is one route to growth but in the digital age, understanding the motivations and engaging with Millennials has a deeper and longer term benefit.

Millennials are younger, more digitally inspired and are often female shoppers and will have a bigger influence on the future direction and strategy of brands and retailers. `Grey` may have a bit more cash at the moment but they are often less experimental and can be less open to innovation.

Lifestyle preferences are much more important to Millennials. When they first become economically active they are digital and disloyal and these attitudes are carried forward as they start families and relocate from towns and cities to the rural suburbs. Customer service, ease of shop and modernity are values held in high importance with social shopping more in vogue than trips to the shops with the family on a Saturday morning. They are the truly connected consumer.

How they spend their disposable income is also different and experiences are much more important, which is good news for leisure retailers. Some of the neuroscience norms from Nielsen research support the view that many Millennial shoppers naturally (and often unconsciously) offset doing something good, with doing something bad. For example if they feel they have done some exercise, or eaten healthily they will unconsciously eat more snacks; if they have saved money on household goods they will indulge in a spending spree at a fashion retailer. This is good news for any retailer with a customer proposition that is contemporary and classless.

The most compelling reason for a retailer to capture the lifetime loyalty of Millennials however, is that in the next 10 to 20 years, female Millennials will become the driver of retail spend.

Even within consumer goods (fmcg) shopping, women account for 70% of spend and female Millennials will become more important shoppers in terms of income available to spend. Female Millennials are increasingly promiscuous and they are found in increasing numbers in 'price driven' stores. However it's not all about price as they are willing to pay for what they consider are essentials in their lives. Diversity and inclusion are also on their shopping list.

Retailers will need to embrace the Millennials in order to grow sales in the next two decades. If they choose not to, then they are at risk of losing the consumers of tomorrow.

Jonathan De Mello, Head of Retail Consultancy, Harper Dennis Hobbs

Marketers - and retailers - are obsessed with Millennials, but in my view it is the 'Grey Pound' that could potentially offer the most lucrative return on investment - at least in the short term.

There is much to commend the strategy of targeting Millennials, given their high propensity to spend on fashion, eating out and socialising generally - but they are equally a relatively elusive target group, given their relative brand promiscuity stemming from their desire to be different. As a result, particularly in the fashion sector, brands have to constantly reinvent themselves in order to maintain growth - or risk falling by the wayside entirely. Celebrity/designer collaborations have proved successful in this regard - witness the frenzy that was H&M Oxford Street following their Balmain collaboration, for example. Nike (running clubs/Nike+), H&M (catwalk videos) and in the UK more recently Mamas & Papas (interactive touchscreens) are retailers actively targeting Millennials - all have sought to integrate digital into the shopping experience, and to ensure that visiting their stores is about more than just buying product. Millennials demand a seamless shopping experience, whether they interact with a retailer in a digital or physical sense.

The oft-ignored Grey Pound however, in my opinion represents an area of significant untapped potential for retailers. In fact, despite the lack of focus and attention on this group, Saga research has found that those over 50 hold 68% of all UK household wealth (£7.8 trillion). Perhaps even more surprising to some - given Millennials' high propensity to eat out - is the fact that - according to QikServe - over 65's spend more on restaurants than any other age group - £556 per head on average.

Many current retirees have large pensions, and no mortgages. In addition to this, they typically have income from other investments (shares, property etc). This is in contrast to younger Millennials, where many have had to rely on their parents (the g'Greys'!) for financial support. Older Millennials are still struggling to buy properties, or are in the midst of having children - which substantially reduces their available spend; at least on the flamboyant, glitzy products that are traditionally being targeted at

Millennials. Fundamentally, Greys have greater levels of disposable spend, and the main point is that - whilst traditional Millennial marketing might not resonate as strongly with them - they certainly do not feel old, or want to be marketed or sold products in a way that makes them feel old. Greys are increasingly technology savvy - nearly 90% shop online using a laptop, and circa 50% own and use a tablet for shopping online. Many are also on Facebook and other social media. The perception that online media cannot reach them is a fallacy.

Long term, is it hard to argue against the Millennials as a principal target group for retailers, but in the short term the Greys represent the most considerable untapped opportunity - and retailers would do well to focus more product lines - and marketing - on them specifically. Holland & Barrett, Hotter Shoes and Le Bistrot Pierre

- ENDS -

Note to Editors:

The RTT panellists rely on their depth of personal experience and sector knowledge, and review an exhaustive bank of industry and government datasets including the following:

Members of the RTT are:

- Nick Bubb – Retail Consultant
- Dr. Tim Denison – Ipsos Retail Performance
- Martin Hayward – Hayward Strategy and Futures
- James Knightley – ING
- Richard Lowe – Barclays Corporate Banking
- David McCorquodale – KPMG
- Maureen Hinton – Conlumino
- Mike Watkins – Nielsen UK
- Martin Newman – Practicology
- Jonathan De Mello - Harper Dennis Hobbs

The intellectual property within the RTT is jointly owned by KPMG (www.kpmg.co.uk) and Ipsos Retail Performance.

First mentions of the Retail Think Tank should be as follows: the KPMG/Ipsos Retail Think Tank. The abbreviations Retail Think Tank and RTT are acceptable thereafter.

The RTT was founded by KPMG and Ipsos Retail Performance (formerly Synovate) in February 2006. It now meets quarterly to provide authoritative 'thought leadership' on matters affecting the retail industry. All outputs are consensual and arrived at by simple majority vote and moderated discussion. Quotes are individually credited. The Retail Think Tank has been created because it is widely accepted that there are so many mixed messages from different data sources that it is difficult to establish with any certainty the true health and status of the sector. The aim of the RTT is to provide the authoritative, credible and most trusted window on what is really happening in retail and to develop thought leadership on the key areas influencing the future of retailing in the UK. Its executive members have been rigorously selected from non-aligned disciplines to highlight issues, propose solutions, learn from the past, signpost the road ahead and put retail into its rightful context within the British social/economic matrix.

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