Generational differences in consumer behaviour

Robert Baskin

© 2015 The Quantum Group Pty Ltd. In Commercial Confidence

This presentation has been prepared for the Actuaries Institute 2015 Actuaries Summit. The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute and the Council is not responsible for those opinions.
Define consumer behaviour

Product take-up

Repeat purchasing
Define consumer behaviour

Product take-up
- Who are the trend setters?
- Who tries the most products?
- Who is the most likely to return?

Repeat purchasing
- Who gives the largest share of wallet?
- Who are the most price sensitive?
Traditionalists
Pre 1946

What the internet says?

What the data says?

Fertilizer
Denture care
Brandy
Knitting

Source: Quantum research
Baby Boomers
1946 - 1964

What the internet says?

What the data says?

Source: Quantum research
Generation X
1965 - 1979

What the internet says?

What the data says?

Source: Quantium research
Generation Y
1980 - 1994

What the internet says?

What the data says?

Pregnancy Tests
Source: Quantum research

Beer

Condoms

Hot Chips
Generational hypothesis

Most likely to try something new: Generation Y
Most likely to try more brands: Generation X
Most likely to return: Traditionalists
Gives highest share of wallet: Traditionalists
Least price sensitive: Baby Boomers

Product take up
Repeat purchasing
Define consumer behaviour

Who are the trend setters?

Who tries the most products?

Who is the most likely to return?

Who gives the largest share of wallet?

Who are the most price sensitive?

Product take-up

Repeat purchasing
Why do consumers try new products?

1. Who are the trend setters?  
2. Who tries the most products?
Who are the trend setters?
Group Buying
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantum research
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantum research
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantum research
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantum research
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantum research
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantium research
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantium research
Take a new industry with rapid growth

Group Buying industry sales by month

Source: Quantium research
Who are the early adopters?

Proportion of Group Buying customers by generation

Source: Quantium research

* Generation Y is restricted to people 25+ to remove any skews attributed to online payment accessibility
Who are the early adopters?

Proportion of Group Buying customers by generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>Proportion of Group Buying Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Y*</td>
<td>33%</td>
</tr>
<tr>
<td>Generation X</td>
<td>39%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>25%</td>
</tr>
<tr>
<td>Traditionalists</td>
<td>3%</td>
</tr>
</tbody>
</table>

* Generation Y is restricted to people 25+ to remove any skews attributed to online payment accessibility

Source: Quantum research
Who are the early adopters?

Proportion of Group Buying customers by generation

Source: Quantum research

* Generation Y is restricted to people 25+ to remove any skews attributed to online payment accessibility
Who has the largest brand repertoire?
Who has the largest brand repertoire?

Average number of brands transacted with by industry by generation

- **Airlines**
- **Cafes and Restaurants**
- **Department Stores**
- **Fashion**
- **Fuel**
- **Jewellery**
- **Online Wagering**
- **Supermarkets**

---

### Average number of brands per customer *

- **Generation Y**
- **Generation X**
- **Baby Boomers**
- **Traditionalists**

---

* Excludes customers with less than three transactions in the category

Source: Quantum research
Who has the largest brand repertoire?

Average number of brands transacted with by industry by generation

- **Airlines**
- **Cafes and Restaurants**
- **Department Stores**
- **Fashion**
- **Fuel**
- **Jewellery**
- **Online Wagering**
- **Supermarkets**

### Average number of brands per customer

- **Generation Y**
- **Generation X**
- **Baby Boomers**
- **Traditionalists**

Source: Quantum research

* Excludes customers with less than three transactions in the category
Who has the largest brand repertoire?

Average number of brands transacted with by industry by generation

- **Cafes and Restaurants**
  - **Generation Y**
  - **Generation X**
  - **Baby Boomers**
  - **Traditionalists**

- **Fashion**
  - **Generation Y**
  - **Generation X**
  - **Baby Boomers**
  - **Traditionalists**

*Excludes customers with less than three transactions in the category*

Source: Quantum research
Who has the largest brand repertoire?

Average number of brands transacted with by industry by generation

- **Cafes and Restaurants**
  - **Generation Y**: 10
  - **Generation X**: 8
  - **Baby Boomers**: 4
  - **Traditionalists**: 2

- **Fashion**
  - **Generation Y**: 6
  - **Generation X**: 4
  - **Baby Boomers**: 2
  - **Traditionalists**: 1

- **Fuel**
  - **Generation Y**: 3
  - **Generation X**: 2
  - **Baby Boomers**: 2
  - **Traditionalists**: 1

*Excludes customers with less than three transactions in the category*
Who has the largest brand repertoire?

Average number of brands transacted with by industry by generation

<table>
<thead>
<tr>
<th>Industry</th>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomers</th>
<th>Traditionalists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafes and Restaurants</td>
<td>10</td>
<td>7</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Fashion</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Fuel</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Online Wagering</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Quantium research

* Excludes customers with less than three transactions in the category
Who has the largest brand repertoire?

Average number of brands transacted with by industry by generation

- **Average number of brands per customer**

- **Generations:**
  - Generation Y
  - Generation X
  - Baby Boomers
  - Traditionalists

- **Industries:**
  - Cafes and Restaurants
  - Fashion
  - Fuel
  - Online Wagering
  - Supermarkets

Notes:
- Excludes customers with less than three transactions in the category

Source: Quantum research
Who has the largest brand repertoire?

Average number of brands transacted with by industry by generation

- **Airlines**
- **Cafes and Restaurants**
- **Department Stores**
- **Fashion**
- **Fuel**
- **Jewellery**
- **Online Wagering**
- **Supermarkets**

**Source:** Quantum research

*Excludes customers with less than three transactions in the category*
So what does this all mean for product take up?

**Gen X** is more likely to try something new

**Gen Y** is more likely to try more brands
Define consumer behaviour

- Who are the trendsetters?
- Who tries the most products?
- Who is the most likely to return?
- Who gives the largest share of wallet?
- Who are the most price sensitive?
Why do consumers come back?

Repeat purchasing

Budget
Comfort
Feel exclusive
Charitable
Lazy
Quality
Why do consumers come back?

1. Who is likely to return?

- Budget
- Comfort
- Feel exclusive
- Quality
- Charitable
- Lazy

Repeat purchasing

2. Who will spend the highest share of wallet?
Different facets of loyalty

- Likely to return: Loyal
- High share of wallet: Exclusively loyal
Who is the most likely to return?
Returning is proportional to how many transactions you’ve made

Probability of returning to a lunch spot in Sydney CBD by transaction number

Source: Quantum research

* Excludes customers with less than three transactions in the category
Gen Y is more likely to return

**Lunch spot**

![Graph showing probability of return with a year for pedestrian traffic towards lunch spots for different generations.]

**Fashion retailer**

![Graph showing probability of return with a year for pedestrian traffic towards fashion retailers for different generations.]

* Excludes customers with less than three transactions in the category

Source: Quantum research
Who has the highest share of wallet?
Share of wallet to quantify loyalty

Person A
- 75% Jim’s Chinese Restaurant
- 17% Joe’s Italian Kitchen
- 8% Pete’s Fish ‘n’ Chips

Person B
- 56% Jim’s Chinese Restaurant
- 21% Joe’s Italian Kitchen
- 23% Pete’s Fish ‘n’ Chips
Average share of wallet by industry

Favourite brand share of wallet by industry

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by industry

![Bar chart showing the share of wallet with favourite brands by industry.]

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by industry

Favourite brand share of wallet by industry

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by industry

Favourite brand share of wallet by industry

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by industry

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by industry

Favourite brand share of wallet by industry

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by industry

Favourite brand share of wallet by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share of Wallet with Favourite Brand (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Wagering</td>
<td>90%</td>
</tr>
<tr>
<td>Department Stores</td>
<td>80%</td>
</tr>
<tr>
<td>Airlines</td>
<td>80%</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>70%</td>
</tr>
<tr>
<td>Fuel</td>
<td>60%</td>
</tr>
<tr>
<td>Fashion</td>
<td>50%</td>
</tr>
<tr>
<td>Cafes and Restaurants</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by industry

Favourite brand share of wallet by industry

Source: Quantum research

* Excludes customers with less than three transactions in the category
Average share of wallet by generation

Favourite brand share of wallet by industry by generation

Source: Quantium research

* Excludes customers with less than three transactions in the category
Price sensitivity
Who is the most price sensitive?

Source: Quantum research

- **Generation Y**: 32%
- **Generation X**: 34%
- **Baby Boomers**: 33%
- **Traditionalists**: 30%
Generational hypothesis

- **Generation X**: Most likely to try something new
- **Generation Y**: Most likely to try more brands
- **Traditionalists**: Most likely to return
- **Traditionalists**: Highest share of wallet
- **Baby Boomers**: Least price sensitive

**Product take up**

- Generation Y
- Generation X
- Inconclusive

**Repeat purchasing**

- Generation Y
- Traditionalists
Insights for launching new products

- Target younger segments during the product launch
- Be conscious of customer constraints
- Customer mix will change over the product lifecycle
- Your ‘best’ customers may be the least loyal
Questions?