

For teens dubbed Generation Y, online shopping is as common as a can of Coke

By Nicole Grasse

Carolyn Cross of Palo Alto, Calif., is a Web marketer's dream. Every chance she gets, Carolyn is surfing the Internet, e-mailing friends, even building her own Web pages. Carolyn also likes to shop online and would do it more—if only the 11-year-old had a credit card.

More than 60 million strong, teens and preteens are the largest demographic to hit retailing since the baby boomers. Even before entering their wage-earning years, Carolyn and her counterparts are a gold mine in the making for online merchants. Forrester Research, Cambridge, Mass., estimates that the group spends \$1.5 billion online each year, out of \$37 billion in disposable income. Though not the top online activity for the group—that's e-mail—40% shop online.

Dubbed Generation Y by demographers, the group born between 1977 and 1994 is the leading edge of a huge bubble of computer-literate Americans. Among Americans age 3 to 18, for example, 82% use computers at home, school or both. Households with children are much more likely to own a computer, says demographer Susan Mitchell, who wrote the book *American Generations*. In 1997, half of households with school-age children owned computers versus 31% of homes without kids.

Gen Y also spends more time online than adults do—38% more than the average wired adult, which works out to be nine hours per week, according to Forrester. "Any time they have access, they're online," says Mitchell. And though many adults stop at e-mail, Gen Y is full of serious surfers—chatting in real-time with friends, downloading and listening to music, playing computer games, or scrolling through Web magazines.

Having grown up with computers, Gen Y regards them with all the novelty of blue jeans or television. "They totally take computers for granted," Mitchell contends. As for online shopping, that's a "no-brainer," she adds. "They have no reservations about it." Carolyn, whose favorite stores are CDnow and Delia's, says she never worries about the safety of online shopping: "I've always gotten everything I've ordered."

To read Carolyn's comment as naive or overly trusting is to misunderstand something basic about Gen Y. Mitchell and other Gen Y observers say the group gets jazzed by quality goods, decent prices and speedy service—and not as much by MTV-style graphics that look good but slow down a site's performance. E-retailers popular with adults—especially Amazon.com, Reel.com, Disney and CDnow—also rate high with young shoppers.

Which explains why a site like Walmart.com is a favorite among teens. "It doesn't do anything to attract teens per se," says Forrester analyst Ekaterina Walsh, "but Gen Y goes there like crazy." The reasons, according to Walsh: The world's largest retailer runs a simple, clean site with teen-friendly prices.

Lose the attitude

In fact, retail sites that tout brands, games, gimmicks and celebrity endorsements are suspect, says Duif Calvin, senior retail analyst at Internet strategies firm iXL, Atlanta. Slick, image-building ads that ooze attitude don't strike the same nerve with Gen Y that they do with baby boomers. Like much smaller Gen X—about 17 million strong—Gen Y was born into a culture overloaded with advertising and is wary of the hard sell. By the time kids turn 16, Forrester estimates, they will have seen some 6 million ads—more

than one per waking minute. "They are intelligent consumers," says Mitchell, "and suspicious about advertising."

According to Calvin, the best way to get Gen Y's attention is to show average teens using or wearing the products being sold—hence the popularity of outfitters such as the Gap, Delia's and Alloy. Especially suspect are products hyper-marketed as "cool." Levi Strauss & Co. made that mistake in its recently shuttered Web store. Along with selling jeans and other Levi's goods, the site included a music area where browsers could sign up to win a guitar signed by the popular band Sugar Ray. But the guitar didn't draw more shoppers, Walsh contends, because it lacked an affinity with the rest of the site. "If teens want music, they go to music sites," she says. "This mistake must have cost Levi's a fortune."

Matt Stamski of Gomez Advisors, Lincoln, Mass., agrees. "On the Internet, no one has been able to make a huge impact with branding strategies," he says. "With television, things are pushed at you, but with the Internet you are able to pull back." Delias.com, which Stamski calls, a "premier teen site," understands this trend, mixing commerce with chat rooms and links to teen sites. Stocked with baggy cargo pants, chunky platform shoes and other funky fashion hallmarks, the teen-girl favorite started as a catalog and expanded into a Web store.

Delia's has become so popular that some high schools have banned the catalog because it disrupts classrooms of girls eager to pore over the latest edition. The 3-year-old company has followed the unwritten rules of Gen Y marketing: Young and fresh, it employs teen researchers and stocks what they want to wear. Delia's stays accessible to its audience by showing its clothing—sans recognizable symbols or labels—on realistic-looking teen models. "Delia's works because it's practical," says Calvin. "It knows what's important to teen girls and provides that. Its emphasis is on trends, not brands."

Merchandise plus

Web stores aimed at Gen Y succeed by offering more than merchandise. "Content and community are critical to Gen Y," says Jan Gilbreath, CEO of MXGOnline, which operates a Web site and a print magazine that targets teens with a mix of merchandise and information.

And the content of Web sites aimed at teen shoppers doesn't always promote goods sold on the site. Delia's, for example, addresses trends in products it doesn't even sell. "Delia's talks about trends in nail polish," Calvin says, "but doesn't actually sell nail polish." The soft-sell attitude, she adds, lends Delia's an air of credibility with ad-wary teens.

Like Delia's, sites popular with teens commonly offer links to special-interest chat rooms, free e-mail accounts, and news about favorite celebrities. These multi-functional sites act more like magazines than catalogs and provide a sense of community for teens, particularly those who don't live in metropolitan areas. Call it the Urban Decay effect. The hot cosmetic brand, which features lipstick and nail polish in colors like Gash and Roach, can only be found in select department stores. For teens living in small towns, the Internet is often the only way to get access to these brands.

MXG, which partners with the hip brick-and-mortar retailer Urban Outfitters, wants to set the standard by providing a cross-media triple threat: The formula includes a bimonthly newsstand magazine, catalogs, a Web site where girls can shop and chat, and MXG-TV, an online video and television production division that creates five-minute videos of clothes available for purchase.

MXG's various channels blur the lines separating one medium from another, mainly because that's what it takes to succeed with Gen Y. "These girls are going to revolutionize these industries," says Gilbreath.

In some respects, they already are. Actress Jennifer Aniston of TV's *Friends* has signed on to help promote Voxy.com, a site for teen girls launching this spring. Aniston's agreement with Voxy calls for 13

half-hour programs in which she'll interact with girls on topics "entertaining as well as empowering," according to a company press release.

Already teen buyers have given a boost to sellers of stored-value cards. Credit cards, which account for 99% of Internet purchases, remain out of reach for many teens. Enter alternatives such as RocketCash, Icanbuy and DoughNet, which allow teens without credit cards to buy online.

Carolyn, who uses RocketCash, says her parents pay her allowance into a RocketCash account, which she uses to shop at CDnow, Delia's and other favorite Web merchants. "We are answering a true need," says Carol Kruse, vice president of marketing at RocketCash. Parents can stay in control with RocketCash, she adds, because the service also limits what kids can see and buy online, which gives them a measure of protection.

Still, Gen Y hasn't abandoned shopping malls, which remain important social focal points for teens. But many kids, like adults, lead busy lives and don't always have time to cruise the local galleria—hence the attraction to online shopping, says Kruse: "Kids shop online for the same reason adults do." •

The next best thing to credit

Stored-value cards are succeeding because they solve two problems at once, says Carol Kruse, vice president of marketing at RocketCash. They give teens a way to pay for their goods and parents a way to supervise what teens buy. "Parents like that it limits what the kids can buy and view," says Kruse. "Most parents don't want to hand over their credit cards to their kids."

— Icanbuy.com—allows teens to open accounts using parent's credit cards or by mailing a check or money order to spend at various online stores or to make donations to selected charities. Merchants include 999central, CDnow, Designeroutlet.com. Parents also can purchase e-gift certificates to give to their teens.

— RocketCash.com—lets teens shop online with a stored-value account. Featured merchants: Amazon, Delia's and CDnow, and teen cosmetics favorite Urban Decay.

— DoughNet.com—bills itself as the only site where kids can shop, bank and donate money online. Offers joint banking accounts for parents and kids. Merchants include MXGonline and Eonline.

— Cybermoola.com—offers a prepaid Internet shopping card. Features CD, movie and gaming sites. Also provides community message boards for kids to chat.

— SpendCash.com—offers a variety of online stores besides the requisite video and music sites, including ArtistDirect.com, Graffeti.com and BuyMP3.com. One of the few sites that isn't marketed exclusively to kids, SpendCash dispenses with the teen-oriented graphics in favor of a clean, well-organized design.