Case: Goods or Services? Consumers that Prefer Access Over Ownership

A Study of Millennial Consumers

John E. Crawford, john.crawford@lipscomb.edu

The ownership of products has, for generations, been associated with achieving the American Dream. Ownby (1999) identifies four American Dreams. First is the "Dream of Abundance," which offers ownership of many material goods to all and creates pride in being part of the richest society. The second is the "Dream of a Democracy of Goods," where ownership of products is available to all, unlike what is true in much of the world where only the rich or well-connected are granted access to luxury. The "Dream of Freedom of Choice," with an ever-expanding variety of goods, allows people to determine their own lifestyle through the products they buy. The "Dream of Novelty," with changing fashions, new models, and unexpected new products, enhances the consumer experience via purchasing skills and market awareness while challenging traditional society and culture, and even politics.

American politics, for generations, has promoted ownership of material goods as a measure of well-being and one's level of participation in the American Dream. For example, a Republican Party flier on behalf of the 1928 presidential campaign of Herbert Hoover used "A chicken in every pot and a car in every garage" as a campaign slogan. Products commonly associated with the American dream are home ownership and other material comforts. In contrast to earlier generations, however, a sizable portion of the millennial generation is taking a different approach to achieving the American Dream and what is evidence of having achieved the dream, particularly in regard to the necessity of owning products to achieve the dream.

Students of marketing have long been taught that products can be divided into the two major categories of goods and services. Goods have generally been considered as products that are tangible in nature and are owned. They are then used until the useful life of the product is gone or the consumer has decided to dispose of the product, perhaps due to changed consumer needs, the entrance of new and improved products, or just because the consumer desires to make a change. A bat and a ball are examples of products that might be labeled as relatively pure goods.

Services, on the other hand, have generally been classified as intangible products where ownership is not possible. Instead, the consumer has temporary access or rental rights to the product and must, when the service is needed again, pay for access to the product or to rent the product. Watching a film in a theater or attending a concert, for example, are not products that can be possessed beyond the time span of the experience. To see the film or enjoy the concert again requires repurchase of access or rental of the service.

In the current business environment, a mixing of these product characteristics is occurring and is largely driven by millennial consumers. Sanders (2019) describes a 27-year-old, educated and business owning millennial that uses things he does not own, but that can be owned. He rideshares rather than owning a car and washes his clothing at the laundry service of a gym since he does not own a washing machine. The only clothes he owns are two versions of the same outfit. He owns so little, in fact, that he got rid of his backpack. In a sense, he is homeless, renting a bed in a large room shared by others, who rent a bed for short-term and long-term periods through Podshare. Kitchen and bathroom space is shared by residents. He is quoted as saying, “When you don't own things, you don't have to keep track of them. You just show up.”

After all, when something is owned one becomes responsible for its storage, maintenance, and bears the risk of loss, damage, and obsolescence. In addition, with the ever increasing pace of development of new products and new and improved versions of existing ones, it is easier to have new experiences when one is not tied to owned products. This, in part, has led to the rise of the sharing economy.

Kenton (2019) describes the sharing economy as an economic model often defined as a “peer-to-peer (P2P) based activity of acquiring, providing or sharing access to goods and services that are facilitated by a community based on-line platform.” A major reason for the rise of this economy is the Internet and the use of big data that makes it easier for owners of goods and those seeking to temporarily use them to find each other. This type of consuming is also referred to as the shareconomy, collaborative consumption, collaborative economy, or peer economy.

For owners of products, the sharing economy allows them to making money from their underused tangible assets when the products are treated like an intangible service product for sale. In other words, the assets, though owned by one consumer, are available for use by multiple consumers who must pay for repeated use since the product is not owned by them. For example, according to Yaraghi and Ravi (2017), privately owned vehicles go unused for 95% of the time, which makes them an asset potentially available for use in some fashion by those they do not own the vehicles. The same report describes Airbnb’s cost advantage for consumers over commercial hotel space as homeowners rent spare bedrooms. Thus, both the owner of the tangible asset and the temporary user of it benefit from the sharing economy.

Sanders (2019) quotes a Ph.D. student at the University of California who studies the sharing economy as saying, “I talked to a lot of minimalists. They're the type of people who love to couch-surf. They own like 30 things, but ... they hoard digitally. They have tons of photographs. They have thousands and thousands of Instagram posts.”

Characteristics of The Millennial Generation

Mergein (2017) provides a detailed description of the millennial generation. Millennials are the largest generation in US history—83.1 million in number. They grew up in the Great Recession, often have tens of thousands of dollars of student loan debt and spend over a trillion dollars a year despite being strapped for cash. Most have a Smartphone and make, on average, more online purchases than other age cohorts. Phones are used for shopping assistance while in a brick-and-mortar store and many times are used to find discounts and coupons.

Even when some items are purchased and owned, such as clothing, sizable number of millennials purchase used clothing from Thrift Shops and the apparel resale industry rather than buying new items. Low price, the uniqueness of the purchased items, and the environmentally-friendly nature of buying used items are reasons for these purchases. Similarly, they prefer transportation via UBER over car ownership, Airbnb over hotels, and Netflix and Spotify instead of ownership of tangible video and music formats.

These consumers care about causes and the environment and value firms that care about those as well. They are more likely to listen to people perceived as being like them and not so much celebrities and the rich and famous. Products that enable the sharing of events with friends and family to deepen relationships is important. They are subject to experiencing FOMO, the fear of missing out. Antonow, (2018) provides an extensive profile of millennials.

Regarding this generation:

- They were born between 1982 and 1996
- There are 83.1 million millennials in the US, the largest generation in US history
- They are the most digitally-connected generation

Regarding renting versus owning:

- Millennials are 4.6 times more likely to rent products online
- They're also 2.3 times more likely to use sharing services

Regarding finances:

- 72% of millennials have less than $1,000 in savings, 31% have exactly $0 in savings
- Only 8% have over $10,000 saved
- Debt is high. The average student loan debt for women clocking in at over $14,500. Men owe $8,500 out of college, almost half of the amount owed by women. Regarding total debt for men is around $53,000, almost 30% lower than millennial women at $69,000
- Over 65% of millennials don't have a credit card

- Those who do have a credit card have good credit scores, with the average female having a healthy credit score of 666, compared to 661 for males
- Over a quarter of millennials have had late payments or are dealing with bill collectors
- Over half are still receiving some type of financial aid from their parents and more young adults live with their parents than ever rather than buying or renting a dwelling
- 70% define financial stability as being able to pay off all bills at the end of every month

Regarding spending and firms:

- Millennials spend $600 billion annually, 28% of all daily spending per person
- Nearly 80% of millennials are influenced heavily by price
- 66% of millennials would switch brands if offered at least a 30% discount
- 72% of millennials search for a discount before purchasing online
- 52% search for a discount before purchasing offline
- 75% consider it fairly or very important that firms give back to society instead of just making a profit
- 75% of millennials want to have the same clothes, cars, and technological gadgets as their friends
- 30% of millennials claim to shop secondhand at least once a year, and another 21% will continue to shop secondhand into the future
- 60% of millennials spend more than $4 on a single coffee
- 70% of millennials will spend a little extra to eat at the hip restaurants in town
- 69% of millennials buy clothes for reasons beyond basic necessity
- Over 50% of millennials spend money on taxis and Ubers while only 29% of Gen X and 15% of Boomers do the same

Millennials tend to spend more per year than older consumers on:

- Groceries
- Gas
- Restaurants
- Cellphones (nearly 98% own a smartphone and have the highest usage levels)
- Hobbies, electronics, and clothing

Millennials spend less than older generations on:

- Television (millennials don’t pay for cable; they buy or share streaming services instead)

- Travel (although saving up for a trip is a big financial goal for many millennials, it's not happening yet…)
- Pharmaceuticals
- Furniture/building materials

How Some Firms Have Responded

Since many millennials prefer to rent or buy access rather than to purchase, Recreational Equipment, Inc. (REI) has expanded sales of used equipment and rental of equipment. According to REI, more than a third of millennials prefer to rent equipment than purchase it (Malls.com, 2019). REI reported that sales in 2018 grew by 6% and noted a twofold increase in the rental of goods in the same time period. REI products such as snowshoes, skis, snowboards, camping, and mountaineering kits are examples of rented products. Rather than spending a significant amount of money to buy new items needed to have and enjoy an experience of a few days' duration, many millennials choose to save resources by buying used items or renting equipment.

In addition, REI has noted that for the environmentally conscious consumer, buying used items or renting items is seen as a way to contribute to the preservation of the environment by reducing the number of things are produced, which lessens pollution and reduces garbage in landfills. Re-commerce is REI's term for this circular economy.

Eric Artz, acting CEO of the company, says this requires a different kind of marketing outreach to these consumers. Rather than selling ownership of a product, "We're selling joy," he says. "We're selling inspiration when you get out on a trail or go for a bike ride. We're selling the adrenaline buzz at the end of a run, and we're just trying to enable that in any way we possibly can (Sanders, 2019)."

In similar fashion, clothing manufacturer Patagonia uses recycled materials in its products, provides free repair of clothing, and restores used clothing for resale. Another example is Eileen Fisher, a women's clothing brand. In order to reduce waste, the company has a clothing recycling program. Buyers donate their "neatly used" items in exchange for gift certificates. After dry cleaning and restoration, the clothing is resold.

Concerning furniture a product category where ownership has been the norm, IKEA customers will soon be able to experience Furniture as a Service (FAAS). Customers will be able to try out new furniture, and then return it if desired—perhaps for something different. "When that leasing period is over, you hand it back and you might lease something else," according to Inter IKEA CEO Torbjorn Loof. He states, "And instead of throwing those away, we refurbish them a little and we could sell them, prolonging the life-cycle of the products." Other companies like Kamarq and Feather are also seeking to become the "Netflix of Furniture."

It’s Not Just a US Phenomenon

Baldwin (2017) states that millennials are not just impacting how business is done in the US. Millennials are 23% of the UK population and their ability to buy products, their attitudes about what to buy, or even whether to buy, are similar to US millennials. As a result, retailers in the UK must consider the increased desire and willingness of UK millennial shoppers to rent products and services rather than buying them, just as is true for retailers in the US and their consumers.

Baldwin cites report stating that “64% of millennials would consider using the sharing economy to rent products in the future, compared to 30% of over 35-year-olds.” Over half of millennials surveyed citing affordability and convenience as a reason to use the sharing economy model. Thirty-six percent of millennials stated a desire to rent products they do not feel a need to own compared to 18% of the over 35 market who stated a similar feeling.

Products cited by millennials as products they are willing to rent includes DIY equipment (20%), clothing (19%) and sports gear (21%). Furniture retailers could soon be impacted, as 27% of the younger consumers do not own a large piece of furniture and do not think they will be able to afford one in the next five-ten years.

"Through this research, we’ve clearly identified how shopping habits have been shaped by the wider socio-economic environment. Attitudes towards home-ownership and the simultaneous emergence of the sharing economy will clearly have an impact on purchasing decisions for future generations," said David Atkins, CEO of Hammerson, the UK’s leading retail property specialist. "Likewise, the rapid adoption of technology, both in terms of how millennials shop and socialize, will continue to influence spending patterns." He added: "In an increasingly competitive market, shopping destinations that offer the best retail, dining and leisure experiences will continue to outperform. And those retailers that are quick to adopt these platforms and technologies, and demonstrate flexibility in their approach, are likely to prove successful in attracting the next generation of consumers (see press release at https://www.hammerson.com/media/press-releases/the-sharing-economy/).”

CONCLUSION

A major task for manufacturers and retailers of new and used goods is to determine how the largest age cohort in the US (and similar consumers in other countries) will consume in the future. Tzuo (2019) provides intriguing thoughts for marketers to consider. He states that there is a possibility “that the dominant economic model of the last 150 years is could *(sic)* be coming to an end.” He notes that since the rise of industrial production, economies have operated under a “straightforward asset transfer model.” That is, physical products were made and sold to consumers who wanted the utility the products provided and the privileges that ownership confers.

According to Tzuo, "The fundamental goal was to create a hit. Once that was achieved, then a company could spread its fixed costs over as many units as possible, so it could compete on the all-powerful margin. Of course, this entire system was predicated on planned obsolescence. The revenue model depended on us re-purchasing products that were specifically engineered to expire after a fixed period of time. Back in the days of Thomas Edison, light bulb companies actually competed on how many hours their light bulbs could last (no doubt some MBAs soon corrected them). We were expected to fill up our lives (and our landfills) with disposable stuff on a regular basis. Is it any wonder that people are starting to get tired of this approach?"

If Tzuo is correct in his thinking regarding major segments of the consuming public, such as the millennial generation, marketers will have to engage in a challenging dual form of marketing, one for those still desiring to own tangible products, and enjoy the privileges and responsibilities of ownership, and one for those who seek temporary access to tangible products to enjoy a momentary experience with them before returning the product to its owner.

CRITICAL THINKING EXERCISES FOR STUDENTS

1. Regarding ownership vs. renting products, does context matter? For example, younger and older millennials are in different stages of the family life cycle. Does this matter? If so, how? What additional life, usage, and other contexts matter when marketing to the millennial generation?

2. Assume the sharing economy and the desire of many millennials to rent rather than own products becomes a lasting phenomenon. Now, review the characteristics of service marketing and the generally accepted marketing implications of marketing services vs. goods. Can marketers of goods in the sharing economy adapt the principles of service marketing to the marketing of goods? If so, how? If not, why?

3. Identify producers and retailers of products traditionally purchased for ownership (beyond those described in the case) that are likely to be affected by the sharing economy? What advice would you give marketers in these businesses?

4. Should marketers attempt to convince millennial consumers to own products rather than rent them? If so, consider and comment on how a retailer might use generally accepted attitude change strategies to create an ownership attitude in millennial consumers.

5. There are millions of consumers in other age cohorts, such as Baby Boomers and in Gen Z. How must firms approach millennials vs. Baby Boomers? Is it likely that the changes described in the case will extend to Gen Z? Why or why not?

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Relevance to Marketing Educators, Researchers and Practitioners: This case is most relevant to marketing educators, particularly instructors in Consumer Behavior, Retailing, and Marketing Strategy. Instructors of courses in these areas can use the case as a way to present a relatively new and growing form of consuming, primarily by millennial consumers in the sharing economy. A most interesting phenomenon is the blurring of the line between goods and services as many millennial consumers opt to buy access or to rent products rather than to purchase them to own.

Author Information:

John E. Crawford, Lipscomb University

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ID#: 1424