



Key takeaways

- Millennials: 2bn aged 18-34Y globally, emerging as #1 source of global income, wealth & spending
- 8 entry points: 1) Tech; 2) Consumers; 3) Food & Drink; 4) Education; 5) Housing; 6) Financials; 7) Women; 8) Sharing Economy

A Transforming World: Millennials

As part of our work on A Transforming World, we introduce a new people-focused theme in this Primer and a Primer Picks report; we set out the challenges and opportunities offered by the Millennials theme.

Millennials: #1 global and US demographic

We define Millennials (aka "Generation Y") as the demographic cohort born post-1980 (aged 18-34Y). Globally, there are c.2bn Millennials, with 86% living in EMs. In the US, Millennials (c.75mn) are set to overtake the Baby Boomers in 2015 as the largest living generation. While the US Boomer demographic is ageing and shrinking in size (cf. our Silver Dollar report), the Millennials generation continues to grow, driven by immigration, peaking in the US only in 2036E at 81.1mn.

#1 income & wealth: \$8.3tn by 2025E in the US alone

While the Boomers have accumulated wealth and currently lead consumer spending, Millennials are emerging as the new dominant source of both. They are the #1 workforce demographic in the US and account for \$1.3tn in direct annual consumer spending, which will grow as their annual income reaches \$8.3tn by 2025E in the US alone. They are also set to benefit from the "Great Transfer", the c\$40tn+ of assets that will shift from US Boomers to Millennials over the next generation. Globally, Millennials will account for 75% of the workforce by 2025E, with women Millennials becoming an increasingly important economic force.

Disruption: autos, dining, finance, media, tech and travel

Like every generation, Millennials display generalised and unique traits, clichés, and contradictions that are key to understanding their role as a force for creative disruption. In our view, these include 'adventure', 'collaboration', 'connected', 'digital', 'diverse', 'educated', 'international', 'liberal', 'me', 'now', 'sharing', 'sceptical', 'social', 'special', and 'values'. Areas poised for disruption in the next three to five years include accommodation, autos, eating out, finance, media, technology, and travel.

Eight major entry points for investors

We highlight eight entry points for investors wishing to play the Millennials theme:

- (1) Technology; (2) Consumers; (3) Drinking, Dining and Health & Wellness; (4) Households; (5) Financials; (6) Education; (7) Women; and (8) Sharing Economy.

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Refer to important disclosures on page 34 to 35.

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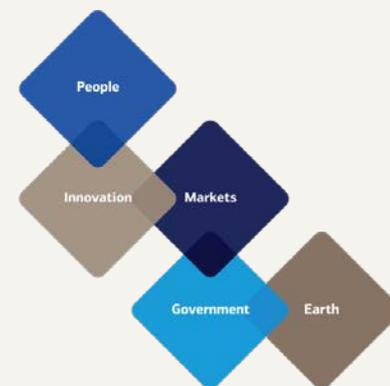
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A Transforming World



Millennials

We define Millennials (“Generation Y”) as the demographic cohort born post-1980 (currently aged 18-34Y). Globally, there are c2bn Millennials with 86% of them living in EMs. Demographically, in the U.S., Millennials are set to overtake the Baby Boomers in 2015 as the US’ largest living generation (c75mn).

Emerging as the new dominant source of wealth and spending

Millennials are the no. 1 workforce demographic in the US and currently account for \$1.3tn in direct annual consumer spending, which will grow as their annual income reaches \$8.3tn by 2025E in the US alone. They are also set to benefit from the “Great Transfer”: the c\$40tn of assets that will shift from the Boomers to Millennials over the next generation. Globally, Millennials will account for 75% of the workforce by 2025E.

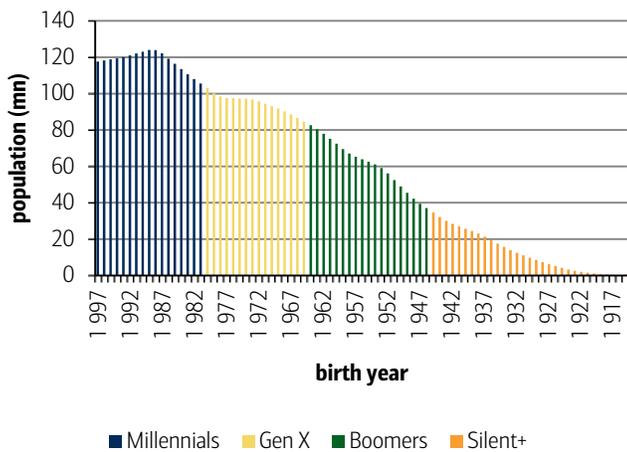
Understanding their traits, clichés & contradictions is key

Like every generation, Millennials display generalised and unique traits, clichés, and contradictions that are to understanding their role as a force for creative disruption. Areas poised for disruption in the next 3-5Y include accommodation, autos, drinking and dining, finance, media, technology, and travel, among other areas.

Eight major entry points for investors

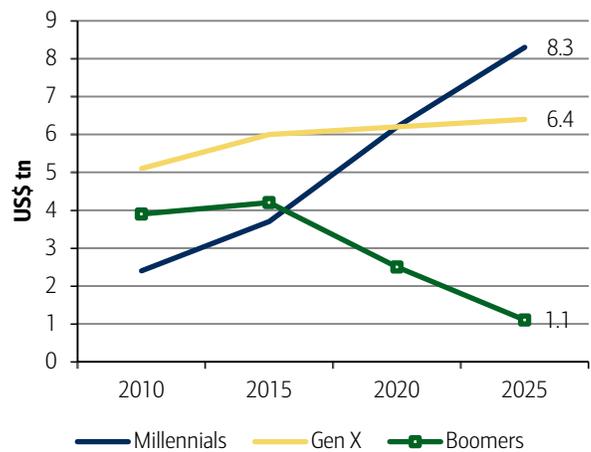
We highlight eight entry points for investors wishing to play the Millennials theme: (1) Technology; (2) Consumers; (3) Drinking, Dining and Health & Wellness; (4) Households; (5) Financials; (6) Education; (7) Women; and (8) the Sharing Economy.

Chart 1: World population by generation cohort



Source: UN

Chart 2: Projected US income by generation to 2025E



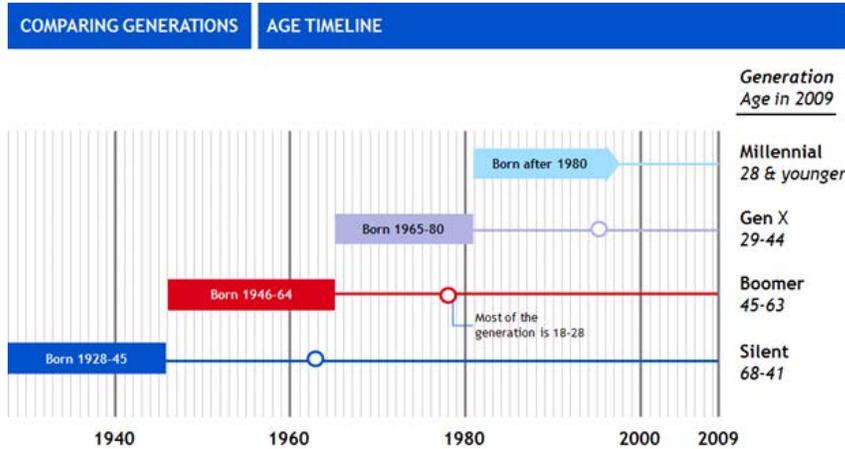
Source: Javelin Research & Strategy

Millennials 101: Generation Next as creative disruptors

Who are the Millennials?

We define Millennials as the demographic cohort born between 1980 and 1997, ie, those aged between 18 (born in 1997) and 35 (born in 1980). Millennials are also referred to as Generation Y or Gen Y, the ‘Echo Boomers’ and ‘Trophy Kids’

Exhibit 1: Timeline of generations



Source: Pew Research

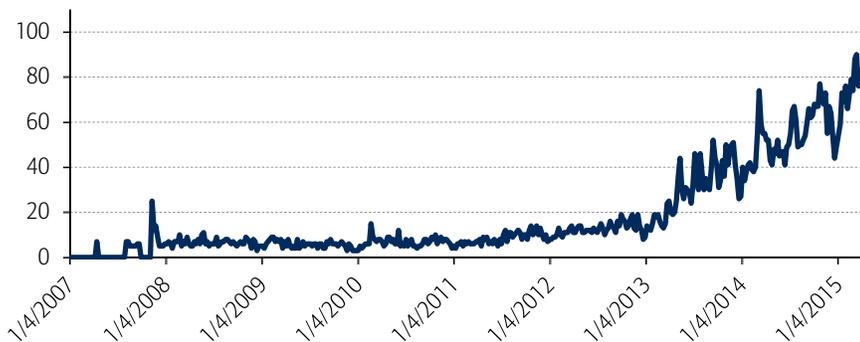
The term Millennials is thought to have been coined in the 1990s (cf. Strauss and Howe), but its popular usage has skyrocketed only in the past two to three years.

Table 1: Timeline of global events (1980–2013) since the very first Millennials were born

1981	AIDS epidemic identified
1985	Hole in the ozone layer discovered
1989	Exxon Valdez spill
1989	Berlin Wall comes down
1989	World Wide Web invented
1990	Operation Desert Storm
1994	Nelson Mandela elected, ending apartheid
1997	Kyoto protocol proposed
1999	First U.S. hybrid car sales, Honda Insight
2000	Dot-Com bubble burst
2001	9/11 World Trade Centre attack
2001	Enron scandal revealed
2003	Iraq War launched
2004	Facebook launched
2005	Hurricane Katrina hits Gulf Coast, causing costliest natural disaster in U.S. History
2007	First generation iPhone is released
2008	First fully electric sports car, Tesla Roadster, produced with lithium ion battery
2008	Lehman Brothers files for bankruptcy
2008	Barack Obama, first black president of the United States, elected
2011	Arab spring, organized through social media, brings down regimes across the Arab world
2011	Occupy Wall Street movement protests income inequality and wealth distribution in the United States
2013	G8 convenes Social Impact Investing Forum

Source: Pew Research, Impact Assets

Chart 3: Use of the term “Millennials” has risen over the past decade on Google Trends



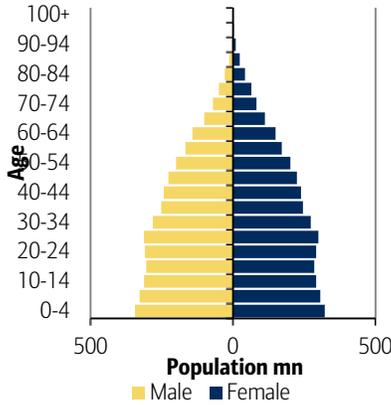
Source: Google, BofA Merrill Lynch Research

2bn Millennials globally

There are an estimated 2bn Millennials globally – close to one-third of the worldwide population – with 86% of them living in EMs (source: UN).

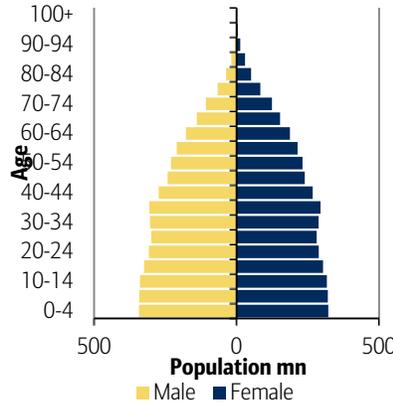
“The number of ‘Millennials’ mentions on quarterly earnings calls has jumped from just 1 in 2007 to >100 in the most recent quarter (1Q15) alone” - Thomson Reuters

Chart 4: World population - 2015



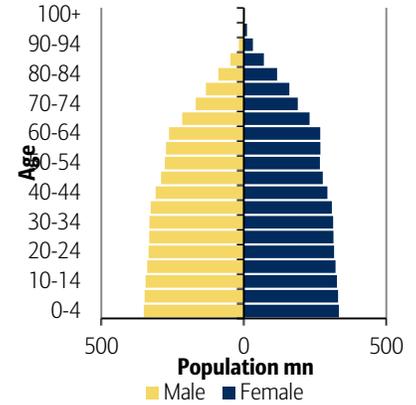
Source: UN, BofA Merrill Lynch Global Research; UN

Chart 5: World population - 2025



Source: UN, BofA Merrill Lynch Global Research; UN

Chart 6: World population - 2050

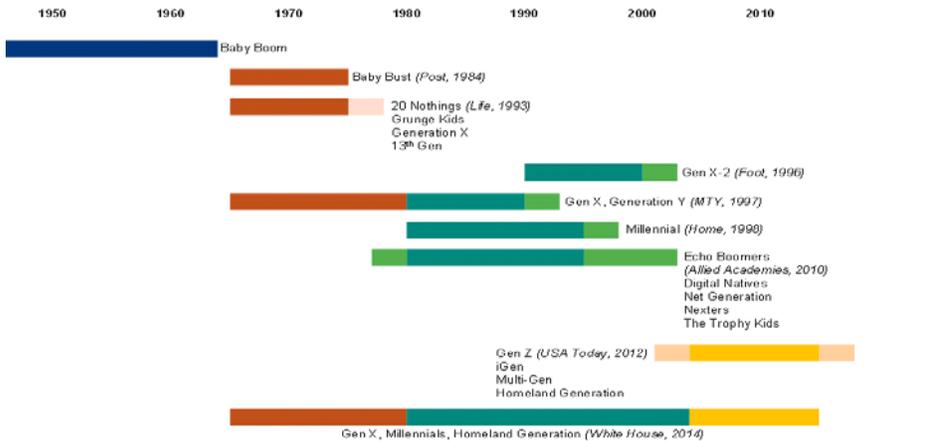


Source: UN, BofA Merrill Lynch Global Research; UN

Succeeding Gen X, the Boomers & Silent Generation

Millennials were born after the cohorts known as Generation X (born 1965-80), Baby Boomers (born 1946-64), and Greatest / Silent Generation (born 1928-45), in chronological terms.

Exhibit 2: Changing in names of generations



Source: Council of Economic Advisers, WP

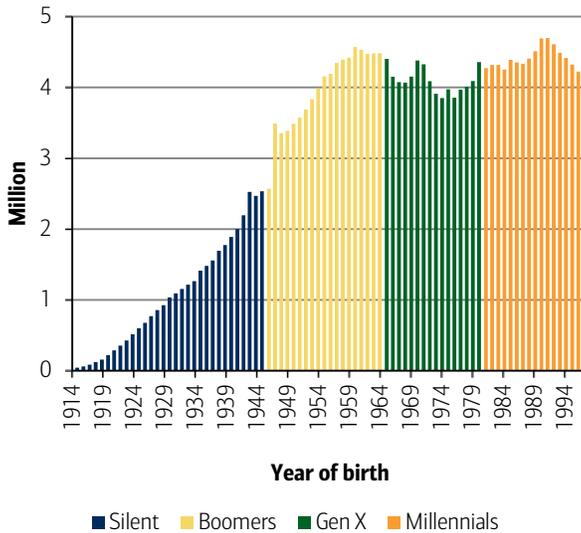
Gen Y will be succeeded by Generation “Z”

Millennials are no longer the “most recent” generation – with a so-called “Generation Z” (born post-2000) – having been identified by demographers. These are also referred to as the “Alpha” and “Homeland” generation – and are thought to demonstrate many of the technology-focused traits and characteristics of Millennials, albeit even more pronounced. Our focus is primarily on the Millennials as Gen Z is still somewhere between their infant years and just finishing up their education.

#1 US demographic: bigger than Boomers

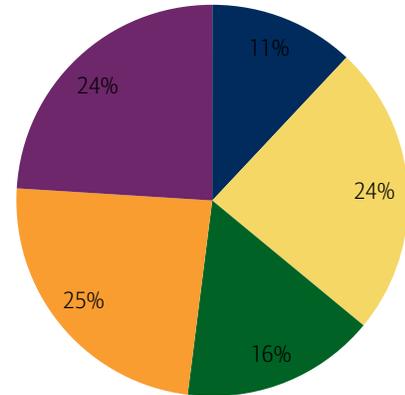
By the end of 2015, Millennials will become the largest generation in US history, overtaking the Baby Boomers (source: US Census Bureau, Pew Research). Millennials are projected to total 75.3mn of the US population size vs. Baby Boomers at 74.9mn (end 2015E). This is significant because the Boomers have been the main drivers of the American consumer economy in the past few decades. With their impending retirement and continued shrinkage of the Boomer demographic, companies need to recognise the rise of the Millennial consumer and their needs, in our view. Likewise, we think investors should position themselves to reflect these changes to take full advantage of the Millennial theme.

Chart 7: Millennials are the largest generation in US history



Source: U.S. Census Bureau population projections

Chart 8: US Population, 2015E

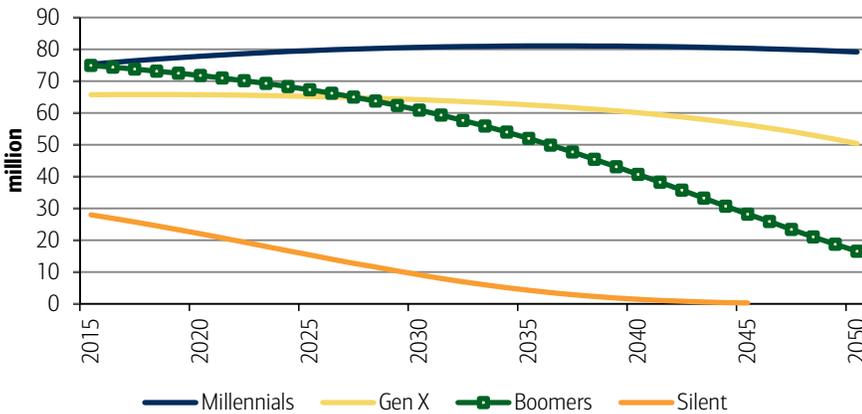


Source: Nielsen, U.S. Census Bureau

Influence to grow over time: peaking at 81mn in 2036E

The total US Millennial population size is forecast to continue to grow, reaching its peak of 81.1mn by 2036E, driven largely by immigration (source: Pew Research, US Census). This is in stark contrast to the demographic drivers underlining the Baby Boomers, which is expected to fall significantly from c.75mn today to under 17mn by 2050E (source: Pew Research). As a result, Millennials will be the #1 influencer of the US economy in the next couple of decades, in our view.

Chart 9: Projected US population by generation

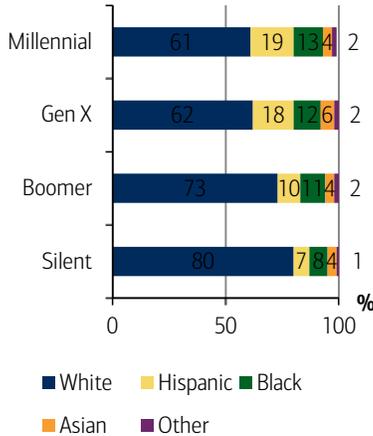


Source: Pew Research, U.S. Census Bureau population projections

Ethnicity: US most diverse demographic mix ever

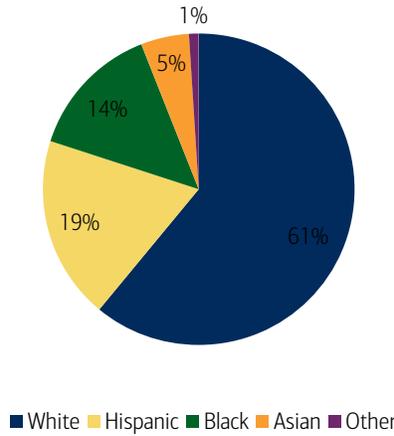
Millennials are also the most diverse US generation in history, driven by strong immigration trends: 61% of the US Millennials population in 2009 was identified as White vs. 73% of the Boomer population. On the other hand, nearly one-fifth was classified as Hispanic vs. only one-tenth of Baby Boomers (source: Pew Research). This is significant because it again reflects the need for stakeholders to recognise that the Millennial generation differ considerably from the preceding generation.

Chart 10: Race/Ethnicity in 2009 (% by generation)



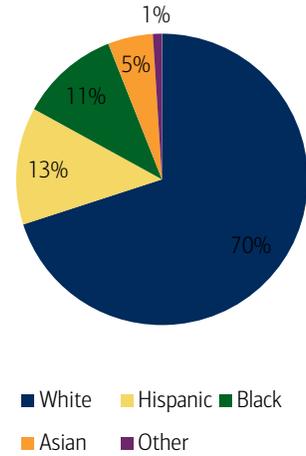
Source: Pew Research

Chart 11: The new face of America -Millennials (ages 18-29)



Source: Pew Research

Chart 12: Adults ages 30 and older

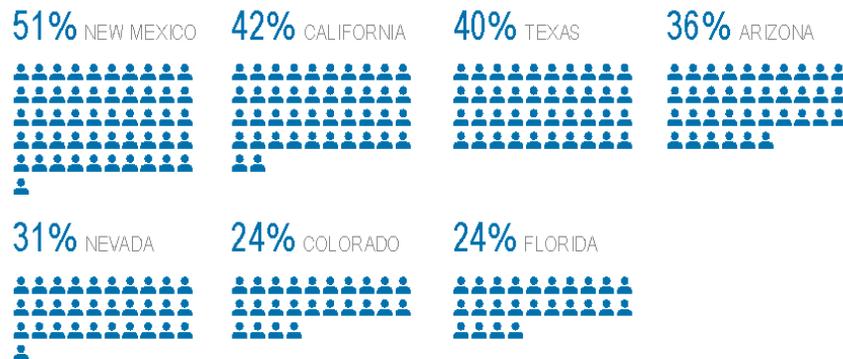


Source: Pew Research

Fast pace of growth in Hispanic & Asian populations

The increase in diversity has been driven by the huge growth of the Hispanic and Asian populations in the US. By 2050E, the Hispanic population is projected to have grown by 167% whilst the number of Asians will have increased by 142%. Currently, New Mexico and California have the highest percentages of Latinos within their youth population, at 51% and 42% respectively. This is significantly higher than the national average of just 20% (Source: Nielsen).

Exhibit 3: Share of Latinos is higher in certain states

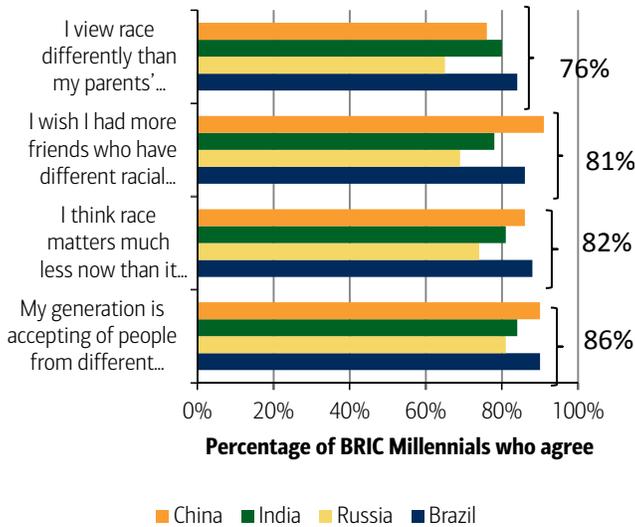


Source: Nielsen

Raceless generation

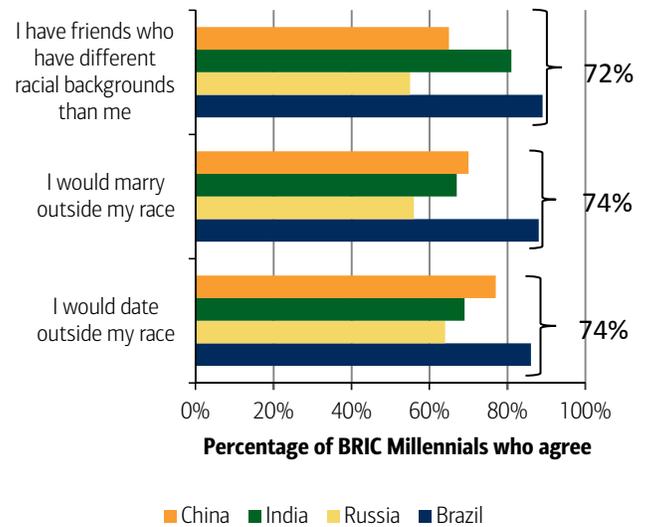
While less ethnically diverse, BRIC Millennials are also moving towards greater acceptance of greater diversity. 9 out of 10 (86%) believe their generation is accepting of people from different racial backgrounds. 8 out of 10 (81%) wish they had more friends from different races, and 3/4 (74%) would marry outside of their race. (source: JWT Intelligence)

Chart 13: A raceless generation



Source: JWT

Chart 14: A raceless generation

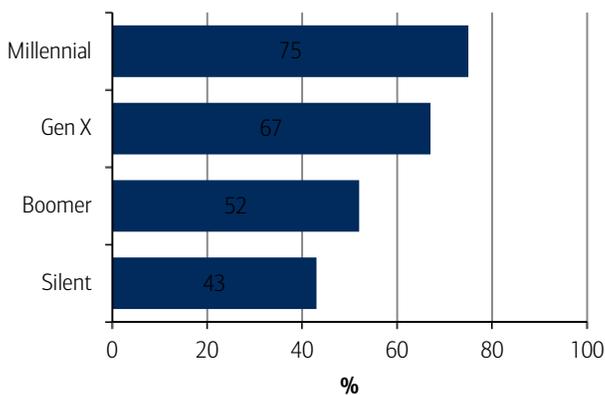


Source: JWT

Relationships: single & delaying marriage

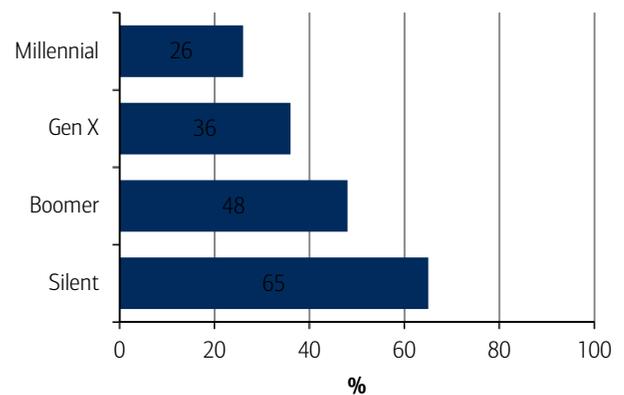
Among US Millennials, of those aged between 18 and 28, 75% are single, compared to just 43% of the Silent Generation (source: Pew Research). This reflects the general developed-world trend of people staying single for longer. Only 26% of Millennials were married by the age of 32 compared to 48% of Boomers. Millennials are likely to remain single for longer and therefore exercise greater personal spending power, in our view.

Chart 15: % that were "single" when they were aged 18-28



Source: Pew Research

Chart 16: % that were "married" when they were aged 18-32



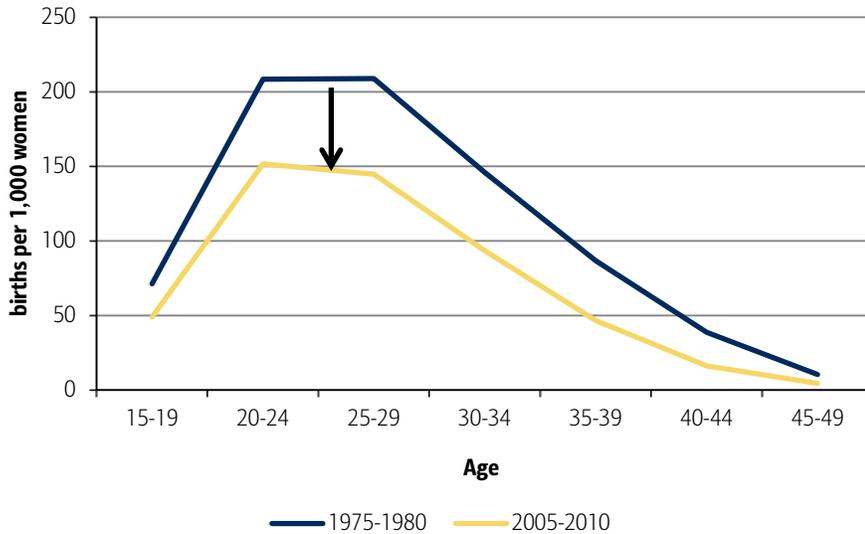
Source: Pew Research 2014

Family & parenthood: childless Millennials?

The delay in parenthood has meant that Generation Y is also having fewer children at a young age compared to previous generations. This is particularly reflected in the wider trend of falling fertility rates in more developed countries. There were only 145 births per

1,000 among US Millennial mothers aged 25-29 in 2005-10. Conversely, this figure was 209 among Baby Boomer mothers in 1975-80 (source: UN). The combination of later marriages and lower fertility (see chart below) are driving this trend whereby fewer Millennials are becoming parents early on in life compared to previous generations, in our view

Chart 17: Birth rates on the decline, 1975-80 vs 2005-10



Source: UN WPP 2012

Lifestyle: changing the traditional linear concept

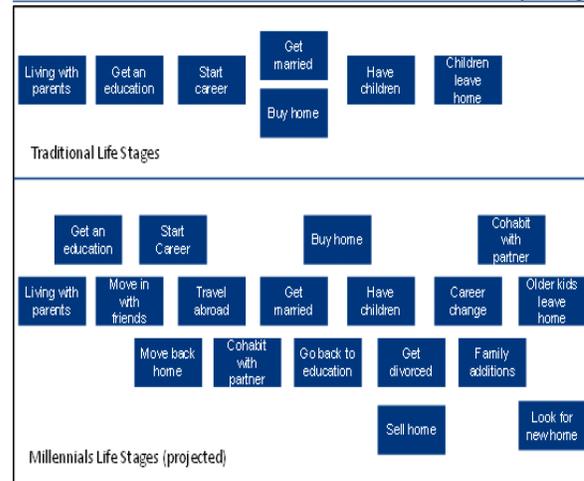
Gen Y is also changing attitudes to life, in our view. For example, 44% of US Boomers believe living together without getting married is “bad” compared to just 22% of Millennials. The trend of mothers working more and being more independent are also viewed differently intergeneration – 39% of US Boomers believe mothers working outside the household is “bad” compared to 23% of Gen Y (source: Pew Research). Millennials are also living a less linear lifestyle: whereas previous demographics usually followed the traditional life stages of education to career, Millennials are doing this in a more stop-start manner, interspersed with a range of other stages.

Table 2: Q: % saying each category is a bad thing for society

	Millennial (18-29)	Gen X (30-45)	Boomer (46-64)	Silent (65+)
More single women deciding to have children	59	54	65	72
More gay couples raising children	32	36	48	55
More mothers of young children working outside the home	23	29	39	38
More people living together without getting married	22	31	44	58
More people of different races marrying each other	5	10	14	26

Source: Pew Research

Exhibit 4: Millennials follow a more “scattered” life trajectory

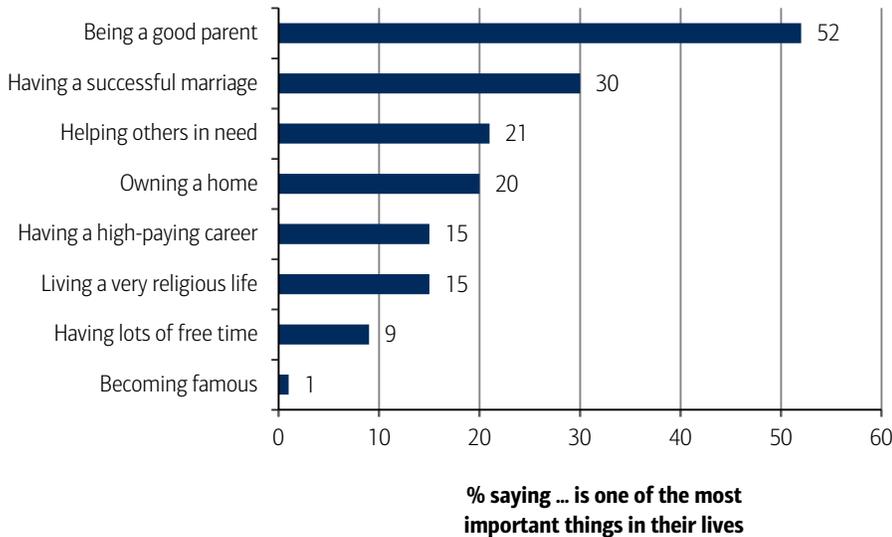


Source: ABInBev

Long-term priorities: being a good parent is #1

Despite these demographic findings, being a good parent and having a successful marriage continues to outrank all other categories for US Millennials (e.g. having free time, being famous), in the context of long-term life priorities (source: Pew Research). Despite appearing to follow a non-traditional lifestyle, they have not abandoned long-standing family values altogether, in our view.

Chart 18: Millennials' priorities in the long-term

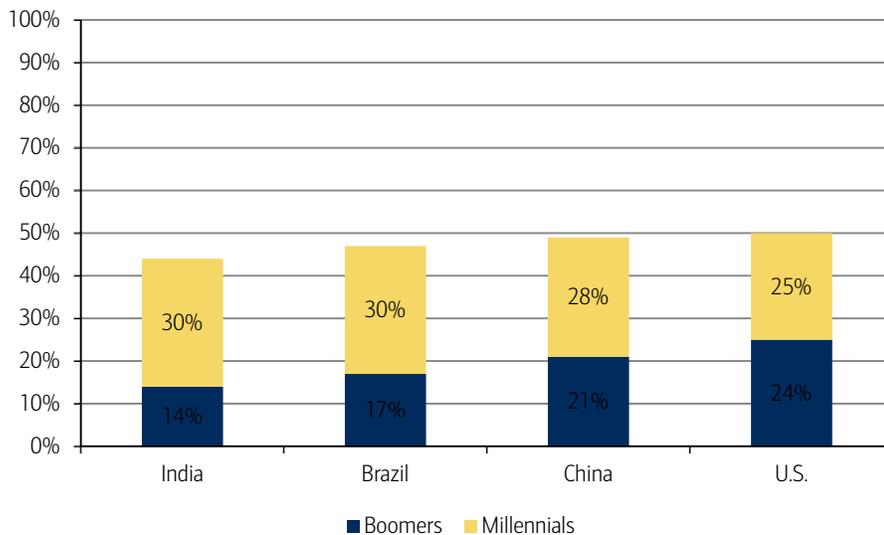


Source: Pew Research

EMs: Millennials are also #1 demographic

The Millennial demographic is a global phenomenon, with 86% of them living in EMs (source: UN). As a percentage of the total population, Millennials outnumber the Baby Boomers in Brazil, China and India, for instance (source: Nielsen, US Census International Database).

Chart 19: Boomers vs. Millennials in EMs

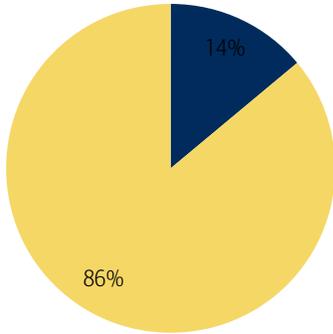


Source: US Census International Database, 2013

86% of the world's Millennials live in EMs

86% of the world's Millennials live in developing regions. Excluding China and India, the US, Pakistan, Bangladesh, Russia, the Philippines, and Ethiopia have the largest Millennial populations (source: UN).

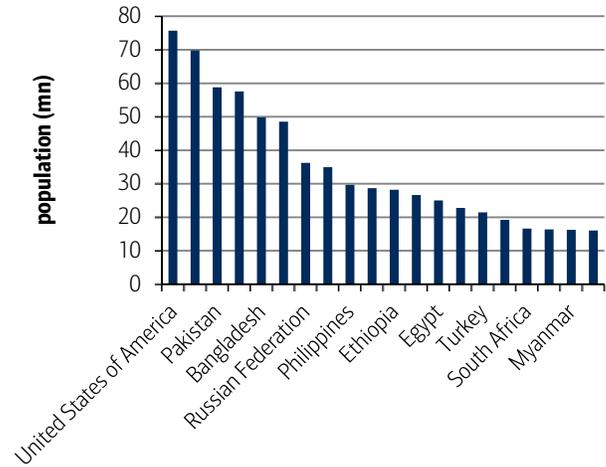
Chart 20: % of world's Millennials by development region



■ More developed regions ■ Less developed regions

Source: UN

Chart 21: Countries with largest # of Millennials (ex. China & India)



Source: UN

While Boomers are generally the largest demographic in developed regions due to the “longevity miracle”, Millennials are the largest in EMs. This is significant demographically because it suggests this young generation will be the driving force behind consumption and production in EMs, in our view.

Table 3: EM Millennials overview

	Brazil	Russia	India	China
Total Population	201 million	142.5 million	1.2 billion	1.3 billion
Median Age of Population, in Years	30.3	38.8	26.7	36.3
Millennials as Percentage of Total Population	30%	27%	30%	28%
Millennials as Percentage of Total Internet Users	54%	61%	75%	58%

Source: JWT, CIA World Factbook, US Census Bureau, eMarketer, ComScore

Chinese Millennials: independent & single

Millennials in China will be the driving force of the generation in EMs, in our view. Currently, Millennials account for 28% of the Chinese population (source: US Census International Data Base, Nielsen). A study by the UNWTO found that the rise of Chinese Millennials from the “one-child-policy” era and increasing time spent on the internet is driving the story. Chinese Millennials have shifted away from the family-centric “we” outlook towards a “me” spending dynamic. This is reinforced by the secular trend of rising consumerism in China vs. reduced saving rates. Hence, we believe Millennials will benefit as China continues to shift towards a consumption rather than investment economic model.

Table 4: Characteristics of Chinese children

	China's Eldest Children: '70s	China's Middle Children: '80s	China's Youngest Children: '90s
Key Focus in Life	Responsibility & Happiness	Fun	Excitement
Core Values	Family	Friends	Self
Internet Value	Time Saver	Social Arena	Extension of Self
Outlook on Trends	Follow Trends	Choose Trends	Create Trends
Online Content	Collecting Information	Sharing Information	Creating Information
Communications Strategy	Nothing overwhelming	Accessible and trendy	High level of interaction
Engagement Strategy	Information	Peer involvement	Self expression
Friends	Make friends with those that have power and influence	Make friends with those that share the same interests	Make friends with those that have tattoos
Money	Have Savings	Have Debt	Have Daddies
Financial Pressure	Demands from kids, spouses and parents	Ignoring pressure and live in the now	Pampered by parents and grand parents
Discussion Topics	Topics that relate to everyday life: Seasonal fashion Property prices	Topics that make one get ahead: Career Trends	Exciting topics to be shared: Sensations Gossip

Source: UNWTO

Indian Millennials: youngest age & online-mavens

Millennials in India have the lowest median age and the highest percentage share of internet users (source: JWT et al). They account for 75% of all internet users in the country. India also has among the most favourable demographics. With a current median age of 26.7, Millennials in India are poised to be key drivers of growth as they head into their peak spending years (source: Nielsen, US Census International Database).

Future Millennial "leaders" are in EMs

Elite Millennial "leaders", who exhibit particularly strong Gen Y traits (e.g. tech saviness) are mostly in EMs, according to analysis by Telefonica. It believes this "global 11%" will be vital in driving economic growth because they are the most tech-adept. However, what is most significant in this study is that it finds that the crux of these "leaders" comes from EMs. In particular, LatAm ranked the highest, with countries such as Colombia having 27% of the sample classified as a Millennial "leader". Conversely, developed nations like Japan scored only 1%.

Table 5: Millennial "leaders", where they are in the world

TOP 13		BOTTOM 13	
Country	% of country respondents that are Millennial Leaders	Country	% of country respondents that are Millennial Leaders
Colombia	27%	Japan	1%
Peru	26%	Korea	2%
KSA	26%	Italy	4%
Chile	22%	Russia	6%
Venezuela	22%	Czech Republic	6%
India	22%	France	6%
Mexico	21%	Spain	6%
South Africa	20%	China	7%
Brazil	18%	Egypt	8%
US	16%	Turkey	10%
Australia	15%	Argentina	10%
Poland	14%	Israel	12%
Canada	13%	Germany	12%
	Global Millennial Leaders	N Size MOE	1,600 +/-2.5%

Source: Telefonica

Unique: traits, characteristics & contradictions

Millennials are positioned as a one-of-a-kind, unique age demographic. They display generalised and unique traits, clichés and contradictions that are key to understanding their role as creative disruptors (i.e., which brands they like, which companies are meeting their needs, and which are at risk of disruption).

Table 6: Different types of Millennials

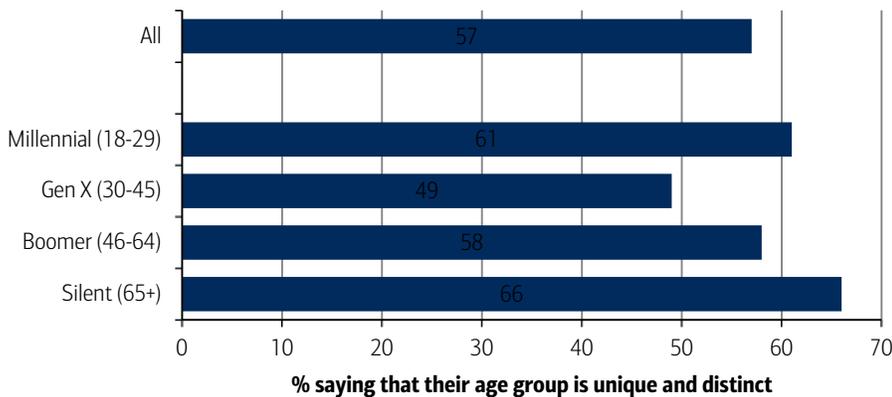
Types of Millennial	Most likely to be found	Typical jobs	Average salary	Other characteristics of Millennials
The Boomerang Baby	In his parents' basement, beating 'call of duty: Black Ops' - again	- Part-time server - Office temp	\$0 - \$9.19/ hr	1/10 will buy a home before 30
The Perpetual Intern	Juggling four coffees while running to the office at 7 a.m.	- Production or marketing assistant - Public relations intern - Researcher	\$0 - \$15/ hr \$16/ hr or \$32,000/ year	The average millennial has held 7 different jobs by age 26
The Grad Student	Grading a stack of uninspired essays	- Teaching Assistant		- 54% of Millennials have attended college
The Idealist	Pledging money to the latest big kick-starters campaign	- Non profit development coordinator - AmeriCorps member	\$12K - \$49K/ year	- 60% of college students take out loans - 57% of millennials volunteer regularly - 75% donated to nonprofits in 2011
The Young Householder	Collecting home decor inspiration on Pinterest during naptime	- Power blogger - Graphic designer - Photographer	\$29K - \$50K/ year	- 1 in 5 is married - 12% are married with children compared to 44% of baby boomers at the same age
The High-Tech Multitasker	Lining up outside Apple store for the latest iMust-Have	- Social media strategist - Software engineering ninja - Mobile app developers	\$45K - \$92K/ year \$260,000 (Not including stock)	- Millennial smartphone users - 76% - Millennial laptop users - 73% - Millennial tablet users - 35%
The Startup Kid	Selling her third business to Google	- Tech company CEOs		- 8% of millennials currently own a business - 54% plan to start one in the future

Source: mint.com

See themselves as one of the most unique generations

Gen Y identifies itself as the most unique cohort in history. According to a survey by Pew Research, 61% of Millennials believe that they are unique; only the Silent Generation came in higher at 66%. While the Silent generation's experiences were formed by WW1 and WW2, Millennials regard events such as globalisation, the invention of the World Wide Web, 9/11 attacks and the Great Recession as uniquely shaping this generation.

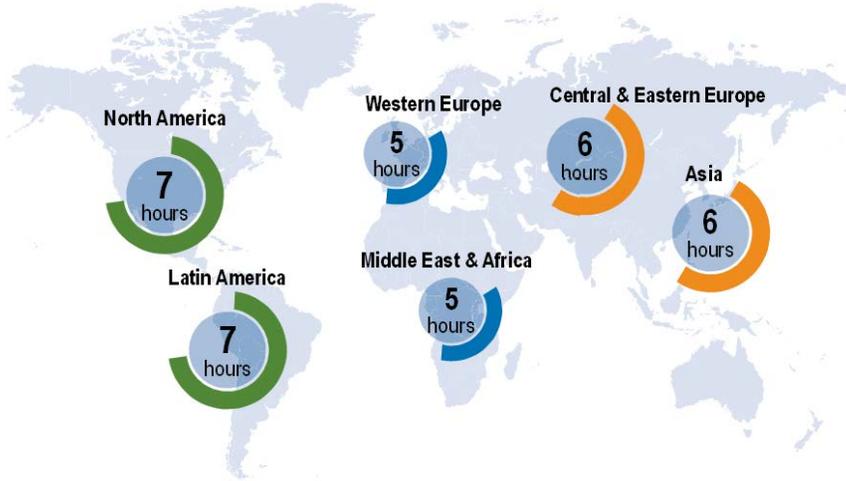
Chart 22: Q - Is your generation unique?



Source: Pew Research

That said, there remain significant differences in terms of how Millennials perceive themselves and how they are perceived by others.

Exhibit 6: Constantly connected, globally spend an average of 6 hours online everyday



Source: Telefonica

Social & sharing: the connected generation

Millennials are more socially connected to peers than any other demographic, with one study finding them to be 27% more “people-oriented” than Baby Boomers (source: Hudson). Millennials are unique in that “socialness” pervades their lives, and they tend to reach out more to people and build social connections with them. Social media is a key driving force of this trend, as well as enabling them to reach out beyond their networks. In addition, Millennials’ abstract-thinking abilities are thought to be 12% higher than Baby Boomers’. However, Boomers are deemed to have better leadership qualities: they are 28% more decisive and 34% more confident in their ability to lead vs. Millennials (source: Hudson).

Exhibit 7: Differences in psychological traits between generations

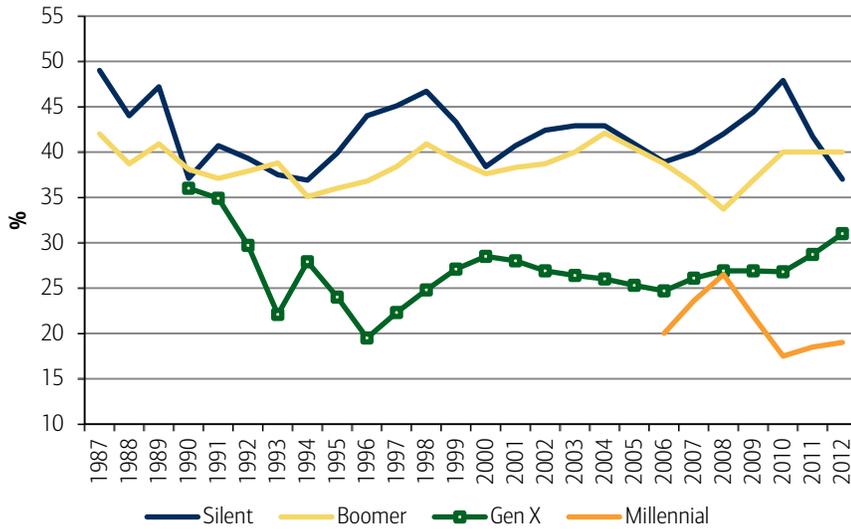
BB Born 1946-1964	X Born 1965-1979	Y Born 1980-1994
Strong on traditional leadership skills including 'leading', 'decisive', 'motivating', 'persuasive' and 'strategic'. Open-minded and innovative.	Socially progressive, change orientated, confident and culturally sensitive. Generation X is the counter balance to the more dominant characteristics of other generations.	Masters of abstract and conceptual thinking. Generation Y is highly ambitious, socially confident and relation but scores significantly lower than other generations on rational leadership traits.
Decisive 28% higher than Generation 'Y'	Ambitious 13% higher than Baby Boomers	People Oriented 27% higher than Baby Boomers
Leading 34% higher than Generation 'Y'	Strategic 12% Higher than Generation 'Y'	Ambitious 32% higher than Baby Boomers
Motivating 28% higher than Generation 'Y'	People Oriented 14% higher than Baby Boomers (females only)	Abstract Thinking 12% higher than Baby Boomers
Persuasive 21% higher than Generation 'Y'	Autonomous 11% higher than Generation 'Y' (females only)	Organised 22% females higher than males
	Persuasive 15% Higher than Generation 'Y' (males only)	

Source: Hudson

Sceptics: less trusting of others

Millennials are thought to be less trusting of others compared to any other generation. Only 19% polled in 2014 said that, generally speaking, people can be trusted. On the other hand, 40% of Boomers and 37% of Silents said the same thing (source: Pew Research). In our view, this has potential implications for many different stakeholders (e.g., it disrupts many companies' marketing strategies, creates further political disenfranchisement). This effect has perhaps been most material in the financial services sector, where Millennials have a very low opinion of the sector following the Great Recession.

Chart 23: Q - % saying that most people can be trusted



Source: Pew Research 2014

“DIY” generation: creative thinkers, customised-makers

Millennials’ ability to generate new ideas has become a defining trait, in our view. This has been driven partly by financial constraints, but also by their preference for customisation over standardisation. Hence, Millennials have been coined as a “DIY” generation because of their ability to create low-cost solutions, which also aligns with the recent rise of the so-called “maker culture”, which marries their tech-savviness with their arts and craft skills to form a creative partnership. Indeed, when asked what the word “creativity” means to them, 17% of Millennials (#4 choice) replied with “arts & craft” as the category. The top three were intangible concepts such as ideas, being original and innovation (source: InSites Consulting).

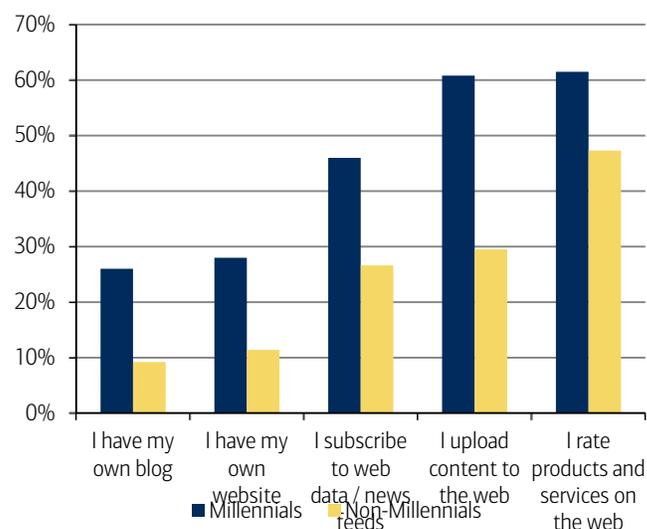
“Millennials are nearly 3x more likely than non-Millennials to have their own personal blog or website” (source: Barkley)

Chart 24: What the word “creativity” means to Millennials



Source: InSites Consulting

Chart 25: Millennials more likely to contribute to blogs and personalised web content



Source: Barkley

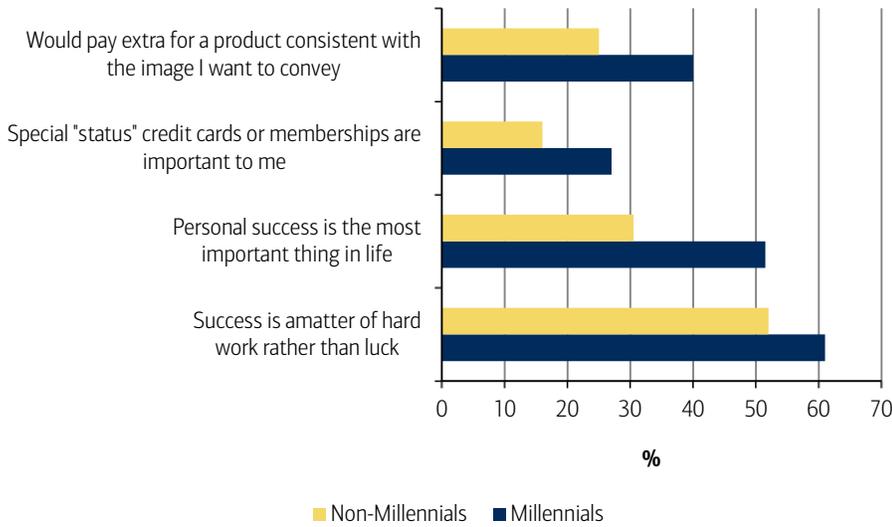
Digital natives

Millennials’ creativity and freedom of expression is perhaps best reflected online, where they are the generation of “digital natives”. According to Barkley, Millennials are nearly 3x more likely to have their own blog or personal website than non-Millennials. On these, they regularly upload and contribute their own original content vis-à-vis the subject matter. An example is “foodie” blogs where Millennials often share recipes with each other and pictures of meals they have prepared with friends.

ME-illennials: generation “me, myself & I”

Millennials have often pejoratively been dubbed Generation “Me” in the media, because of their individualistic qualities. This has been driven partly by the ability to share their daily lives on social media (e.g. posting selfies, “likes”, and secular trends of rising material consumption). According to one study, Millennials place a high importance on personal success and status compared to older generations, with over 20% more saying “personal success is the most important thing in life” (source: Barkley). However, one must consider the other side of the story as Millennials are also the “sharing” generation, which we focus on later in the report.

Chart 26: Millennials value success and status



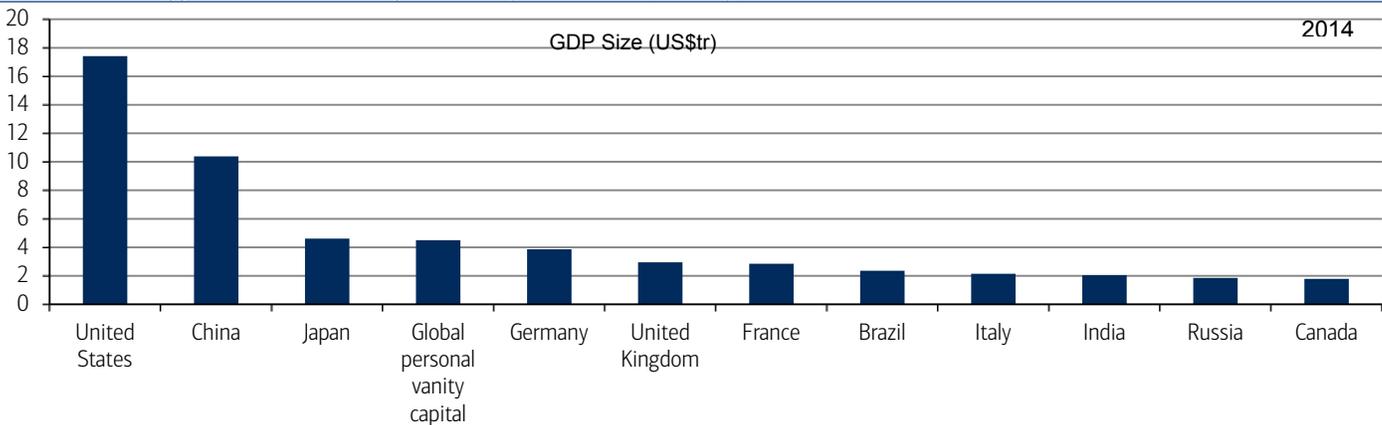
Source: Barkley

“Vanity capital”, US\$4.5tn economy

Our GEMs Strategy team’s recent “Vanity Capital” report underlines the “Gen Me” idea and how Millennials are key players in consumption that augments personal status. They estimate that spending on vanity capital is approximately \$4.5tn, larger than the \$3.7tn German economy, which is the fourth largest in the world. The key demographic drivers of their thesis are also those exhibited by Millennials: the rise of women empowerment, delayed marriage, living with their parents for longer, social and internet-driven ease of purchase and price comparisons.

Please see GEMs Strategy team’s - The GEMs Inquirer: Vanity Capital: The global bull market in narcissism 21 April 2015

Figure 1: Global personal Vanity Capital market size plus augmented Vanity Capital (art, luxury property, luxury cars, private jets, yachts) is more than US\$4.5tr. That is bigger than the fourth largest economy in the world (Germany)



Source: BofA Merrill Lynch Global Research, Euromonitor International

“Peter-Pan” generation: nostalgia driven

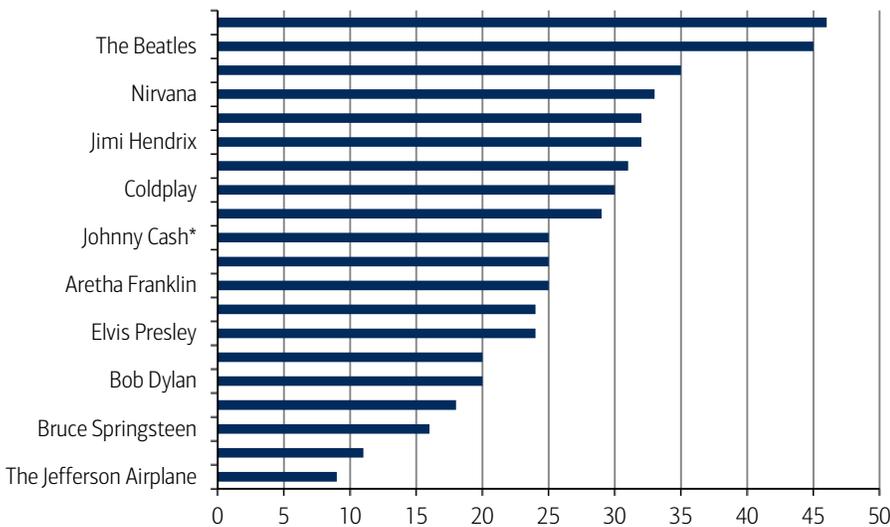
Millennials have also been labelled the “Peter Pan” generation because of their perceived delay in entering traditional adulthood and fondness for the past. Demographically, we already know they are staying single for longer, delaying marriage and choosing to start a family later than previous generations. However, their nostalgic outlook may have also been partially augmented too. Although this may appear contrary to the traits that we have identified (e.g. ambitious and forward looking), it also fits into the diverse, multilateral-thinkers story that we have told about Millennials thus far.

“The Beatles, Rolling Stones & Nirvana are all within the top 5 of Millennials’ favorite artists of all time” – Pew Research

Michael Jackson, Rolling Stones, Beatles & Dylan over Madonna

In a poll to find out their favourite musical performers, the Rolling Stones and the Beatles from the 1960s appeared among the most popular performers with 45% of Millennials saying they “like them a lot”. Conversely, more recent artists such as Madonna, who started out in the 1980s when the very first Millennials were growing up, ranked lower down, with only 18% giving the same thumbs-up (source: Pew Research). Although these artists’ popularity aren’t necessarily unique vis-à-vis the Millennial generation, we believe it highlights that nostalgia in part is important to Generation Y.

Chart 27: Millennials’ favourite musical performers across the decades

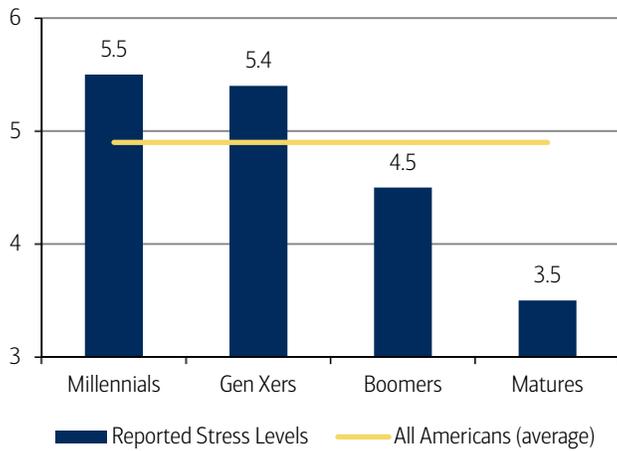


Source: Pew Research

#1 stressed generation: comfort in escapism

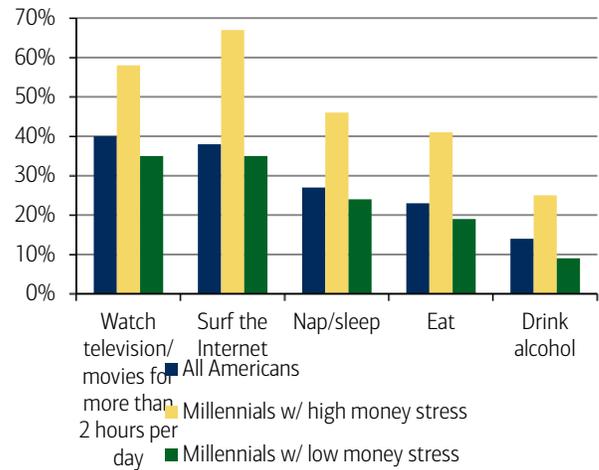
Millennials are the most stressed generation in the US, according to the American Psychological Association (APA). An APA study found Millennials to have a 5.5 level of stress on a 10-point scale compared to 4.5 for Boomers. This is primarily thought to be driven by money constraints, the #1 stressor, with 75% of Millennials saying this was a significant source of stress for them (vs. the American average of 64%). Millennials with greater budget constraints and lower incomes face a higher degree of stress. However, Millennials and Generation X are also more likely to experience stress given they form the majority of the workforce, and are parents of children growing up, etc.

Chart 28: Average level of stress by US generation (on a scale of 1-10)



Source: APA

Chart 29: Stress management techniques among Millennials



Source: APA

#1 stress reliever, surfing the net

The #1 stress management technique for Millennials is surfing the internet followed by watching videos (source: APA) This finding is significant because we think it gives greater insight into why new fads such as “binge-watching” have recently emerged in this generation. Millennials may be coping with stress by going online to distract themselves from the responsibilities of the real world.

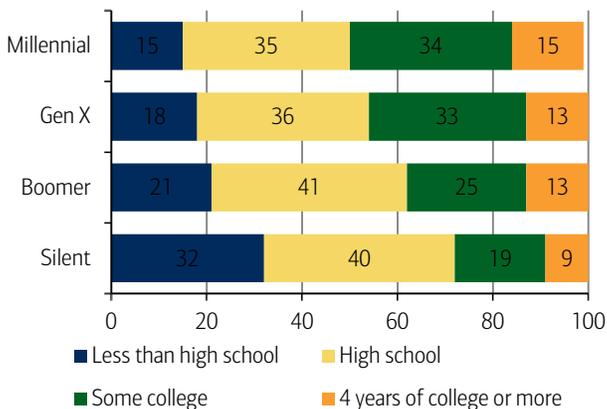
Education, #1 learned generation

Education is the single most important determinant of income – and as the most educated generation in history, this should tend to boost earning for Millennials over the course of their lifetime, and offset long-term risks from the Great Recession (source: CEA). We see Millennials as a key driver in the US\$4.5-5.1tn global education market, which is expected to grow to US\$5.9-7.8tn by 2017E (source: GSV Advisors, BofA Merrill Lynch estimates).

Most educated generation in history

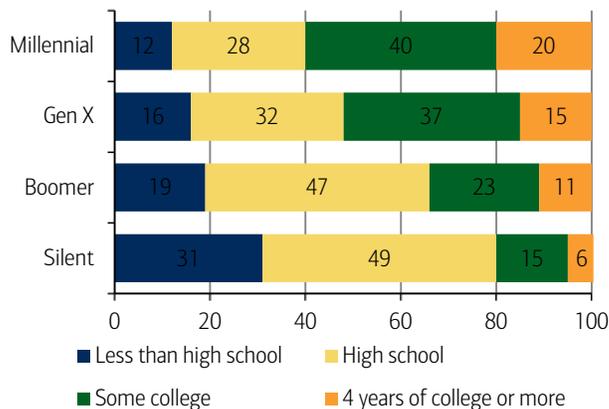
Millennials are the most educated generation in history, having gone the furthest on the education ladder of any demographic cohort. In 2013, 47% of 25-34Y olds in the U.S. had received a postsecondary (associate’s, bachelor’s, graduate degree), with an additional 18% having completed some postsecondary education. Millennials’ commitment to higher education is a rational response to a labour market that confers large rewards on more educated workers (source: CEA).

Chart 30: Male educational attainment when they were 18-28 (% by generation)



Source: Pew Research

Chart 31: Female educational attainment when they were 18-28 (% by generation)



Source: Pew Research

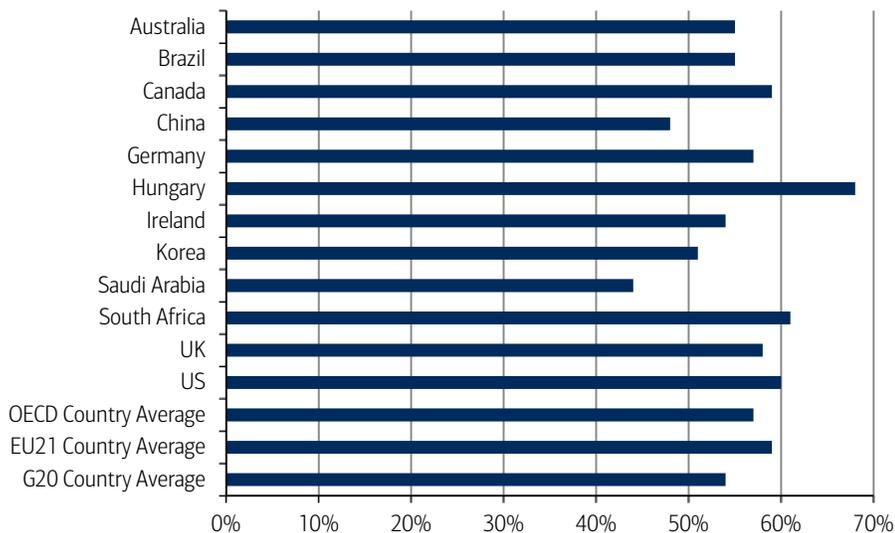
Earnings & employability are the key drivers

College-educated Millennials are more likely to earn higher wages and be employed than those without a degree. A 4Y degree yields US\$570,000 more in lifetime earnings than a high school diploma alone (source: US Treasury). The number of biomedical engineers and veterinary technologists, requiring specialised degrees, are projected to increase by 62% and 52% respectively by 2020E in the US (Source: BLS)

Female Millennials driving higher education rates

Female Millennials in particular are driving this rise into tertiary education. In every region, bar Sub-Saharan Africa, female enrolment growth rates outgrew male figures between 1999 and 2009. East Asia and the Pacific saw the strongest growth with +150% growth in female enrolment rates during the 10Y period (Source: PwC, UNESCO, OECD).

Chart 32: % of tertiary degree qualifications awarded to women (2010)

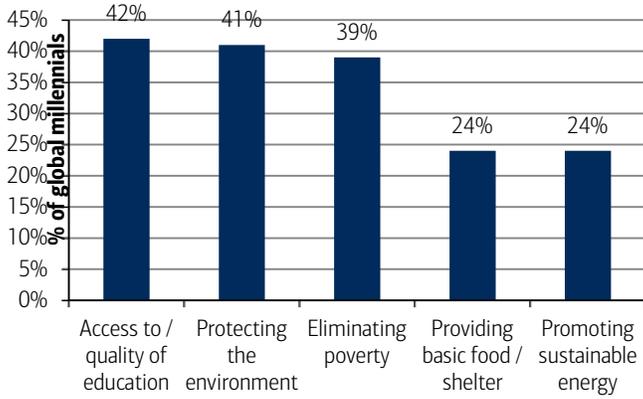


Source: OECD

Millennial POV: education is #1 enabler of world change

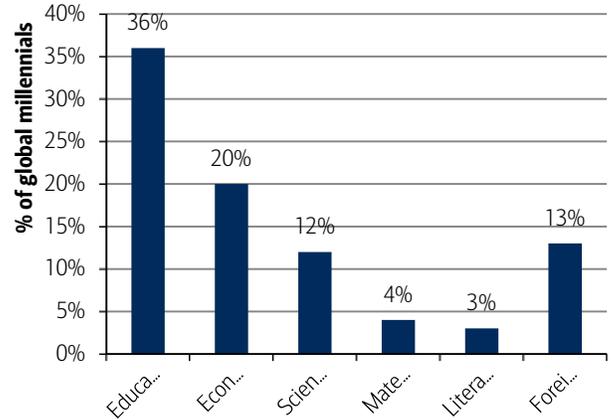
Millennials believe access to education is the most important way to make a difference in the world (Source: Telefonica). This was followed by protecting the environment in 2nd and eliminating world poverty in 3rd. And unsurprisingly an education in technology ranked as the most important in ensuring success in their careers, 16% ahead of economics.

Chart 33: % saying what will make a difference in the world



Source: Telefonica

Chart 34: % saying what is most important to ensure future success



Source: Telefonica

Pioneering the EdTech revolution

Tech-savvy Millennials are leading the charge on EdTech via the growing integration of ICT, and the shifts from print to digital and from classroom to online learning.

Rise of “self-education”, prefer to do own deep dives online

Millennials in particular have driven the shift towards online, self-taught education. In particular the advent of search engines such as Google has increasingly driven deep dives of subjects to online, rather than an encyclopaedia book of the past. 50% of Millennials look towards search engines like Google first when they want to look into a topic in depth.

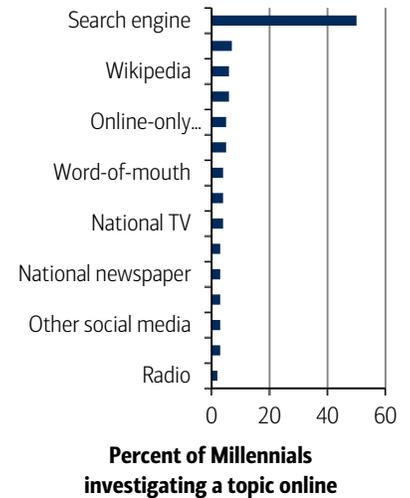
Online learning

Around 7m US students took at least one online course in 2012 (+570,000 YoY) – and this figure has been increasing at a faster pace than the overall numbers in higher education every year since 2002. The proportion of all students taking at least one online course reached a record high of 32% in 2012. However, the online enrolment growth rate of 9.3% is the lowest since 2002 (source: Babson Survey Research Group and Quahog Research).

Well educated but do they have the right skills?

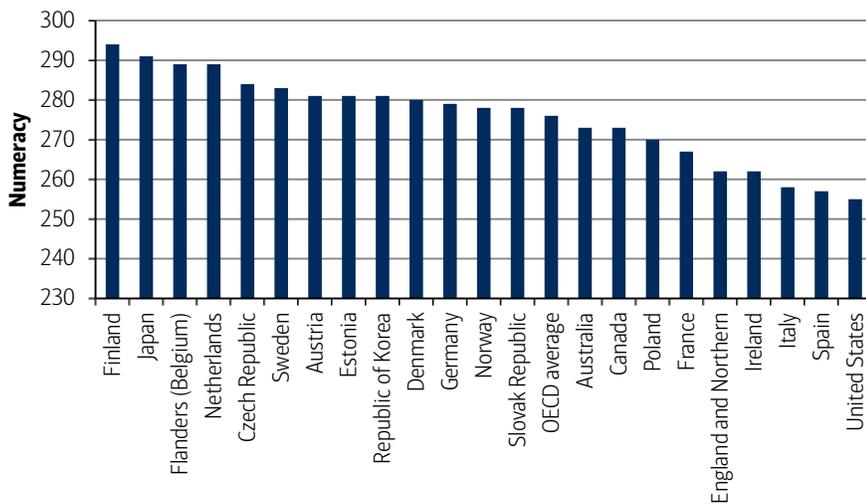
American Millennials are well educated but less prepared for today’s job market than many of their international peers according to Educational Training Services (ETS). US Millennials ranked 21st out of 22 countries in numeracy; in literacy, 1/2 scored below the minimum proficiency level; and for problem solving, only 56% of American Millennials met the minimum standards, ranking behind every other nation (source: ETS). This potentially threatens their prospects and puts the US’ labour market at a distinct competitive disadvantage in an increasingly globalised economy that rewards high-level skill sets.

Chart 35: Search engines are #1 when Millennials want to do a deep dive into a topic



Source: AP, Media Insight Project, NORC Center for Public Affairs Research

Chart 36: Numeracy scores of Millennials across the globe



Source: ETS

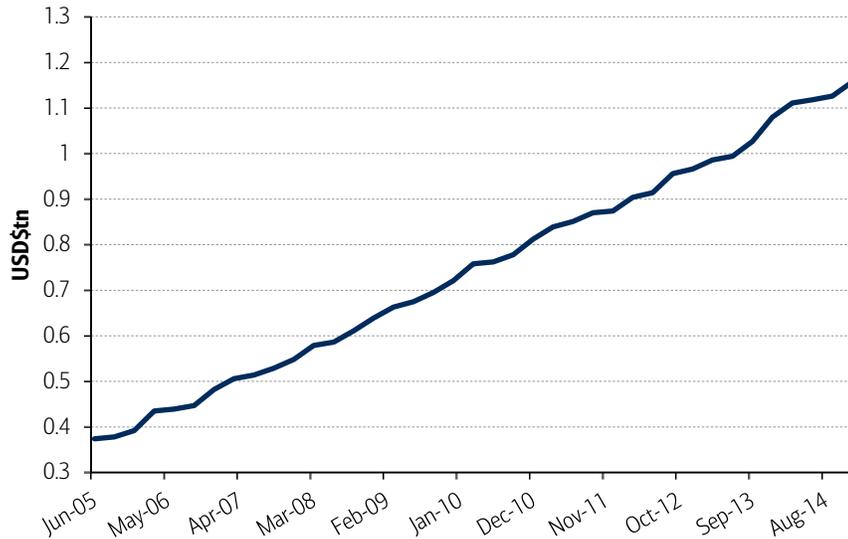
Studying social sciences & applied fields (vs. business, health, STEM, IT)

Millennials are more likely to study social science or applied fields that correspond more directly to specific careers (e.g. communications, criminal justice, and library science). Worryingly, Millennials are somewhat less likely than previous generations to major in fields like business, health, and STEM fields – and the share of Millennials choosing computer and information science majors has fallen over time, especially for women (source: CEA).

Debt is the price of education: US\$1tn+ in student loans

The total student loan debt balance in the US is now worth US\$1tn+, making it the no. 2 largest category of household debt (source: FRBNY). Drivers for the debt load include: greater enrolment among Millennials, an increasing share of low-income students, rising tuition, parents' impaired ability to offset costs, and the fact that students are taking longer to pay their loans. As employment and wages accelerate more notably than they have thus far, then, in our view, the student loan debt barrier should subside.

Chart 37: Total student loan debt balance composition in the US

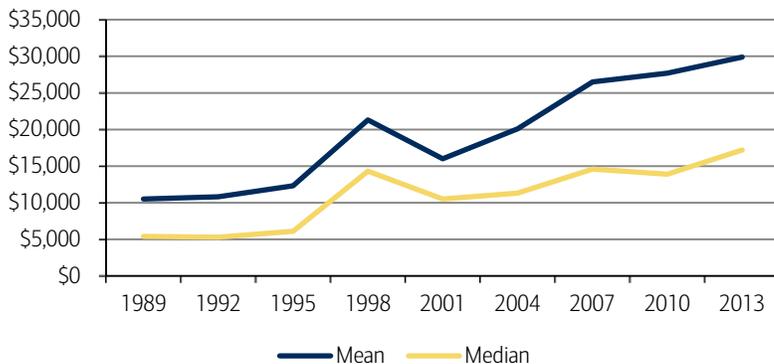


Source: Bloomberg, FRBNY, BofA Merrill Lynch Global Research

10% of household debt & \$30k average debt

As a percentage of total debt, student loan debt now comprises around 10% of total household debt at 1Q15 versus 3.3% in 2Q03. The average student debt figure has grown from just over US\$10,000 in 2003 to US\$30,000 in 2015 (Source: Federal Reserve).

Chart 38: Mean and median student loan debt for those under 35 (US\$2013)

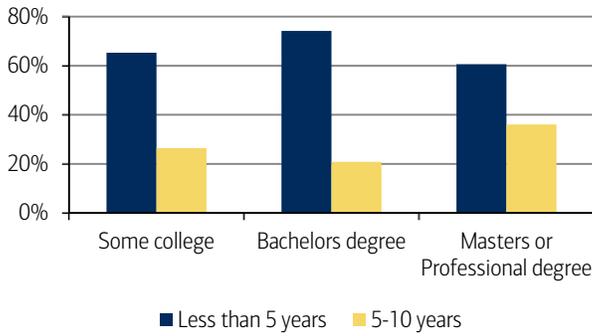


Source: BofA Merrill Lynch Global Research, Survey of Consumer Finance (2013)

Many borrowers facing financial difficulties with their debt

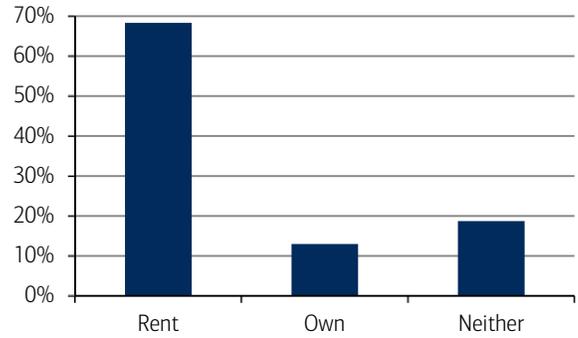
Recent increases in the prevalence of delinquent student loans demonstrate the difficulties that some borrowers face managing and paying down their debt. Defaults are concentrated among borrowers who did not graduate from a 4Y institution and those attending for-profit institutions – both of whom tend to receive lower ROI on education (source: EA). Student debt has stifled the ability of many Millennials to make big-ticket purchases and obtain mortgages.

Chart 39: Estimated home buying delay due to student loan debt



Source: BofA Merrill Lynch Global Research

Chart 40: Millennials with loans vs. current living situation



Source: BofA Merrill Lynch Global Research

Stronger economy: Millennials choosing work over college

Recent evidence shows that the stronger US economy means that more Millennials are choosing to skip college and enter the workforce. College enrolment in the spring 2015 semester dropped 2% from 2014 to 18.6mn with the strongest drop in the mid-20s demographic (source: National Student Clearinghouse Research Center).

Outlook: relatively liberal & progressive

Millennials are frequently identified as being more liberal and progressive than their predecessors. This is underscored by the diverse mix of the generation, open-mindedness to change and the unique global events that have shaped their lives, in our view.

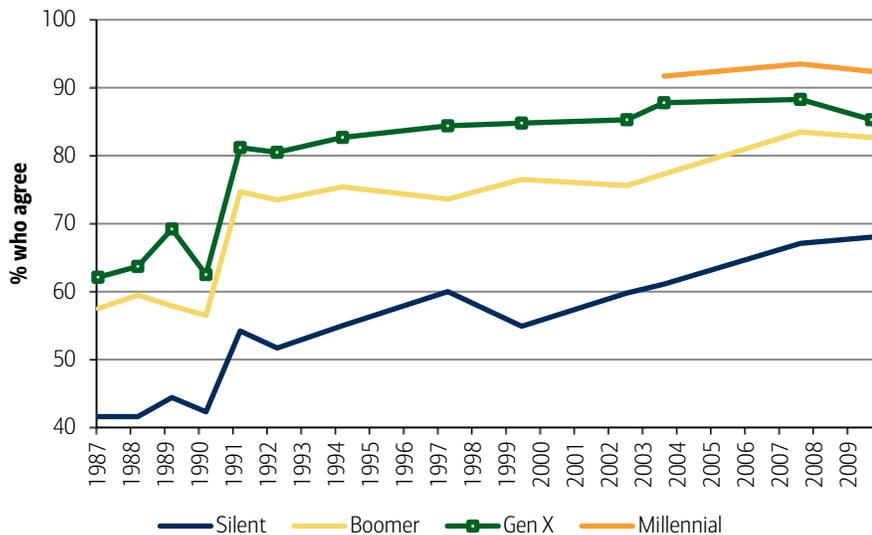
Social: equality is important

Millennials have shifted from societal views traditionally held by previous generations. We outline the key social differences in intergenerational opinions below.

Race: leading the charge against discrimination

Generally racial discrimination has declined over time, but Millennials are leading this change with approximately 9/10 in the US believing “it’s all right for blacks and whites to date each other” (source: Pew Research). However for Silents this figure is only around 7/10.

Chart 41: Q - “I think it’s alright for blacks and whites to date each other”

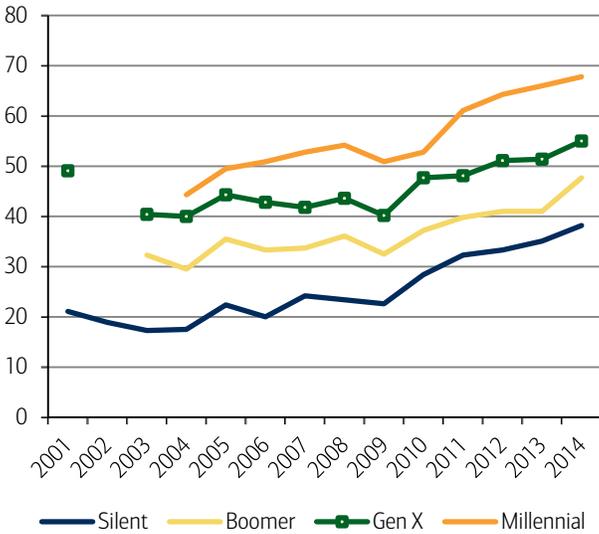


Source: Pew Research

LGBT issues

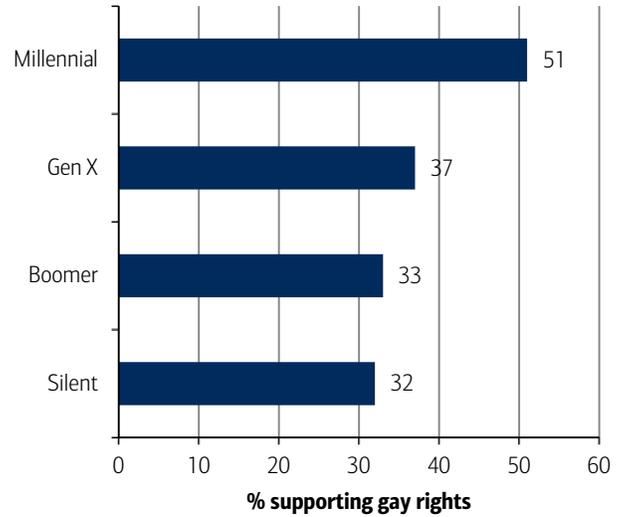
Generation Y also has a more liberal outlook on LGBT issues. 68% of Millennials support same-sex marriage compared with just 47% of Baby Boomers. Gen Y is driving changes in established societal views on LGBT issues with more than half identifying themselves as supporters of gay rights compared to just 33% of Boomers (source: Pew Research).

Chart 42: US Growing % support for same-sex marriages across generations



Source: Pew Research

Chart 43: US Millennials lead the way in % supporting gay rights

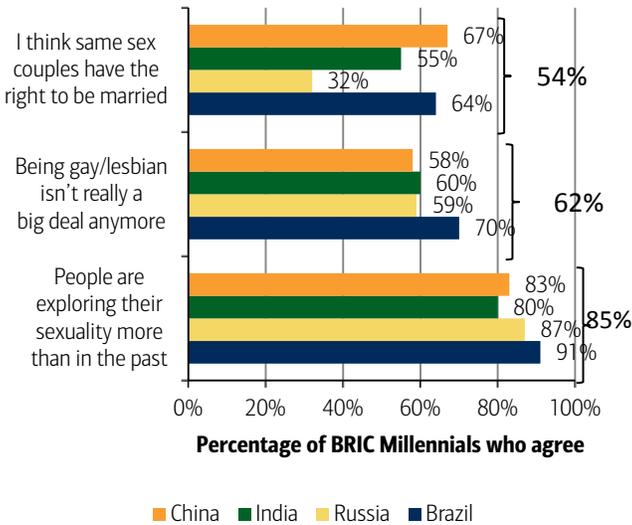


Source: Pew Research 2014

Echoed by BRIC millennials

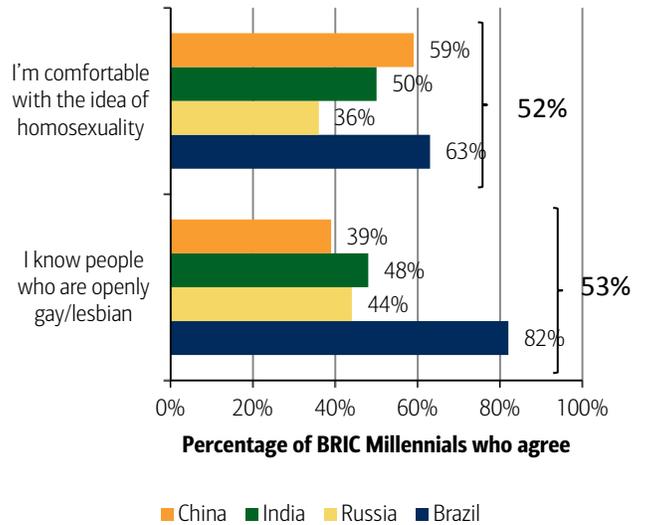
Similar to US counterparts, 54% of BRIC Millennials think that same sex couples have the right to be married. China had the highest percentage at 67%, which is in line with US Millennials. (Source: JWT Intelligence).

Chart 44: Lesbian, gay, bisexual and transgender issues



Source: JWT

Chart 45: Lesbian, gay, bisexual and transgender issues

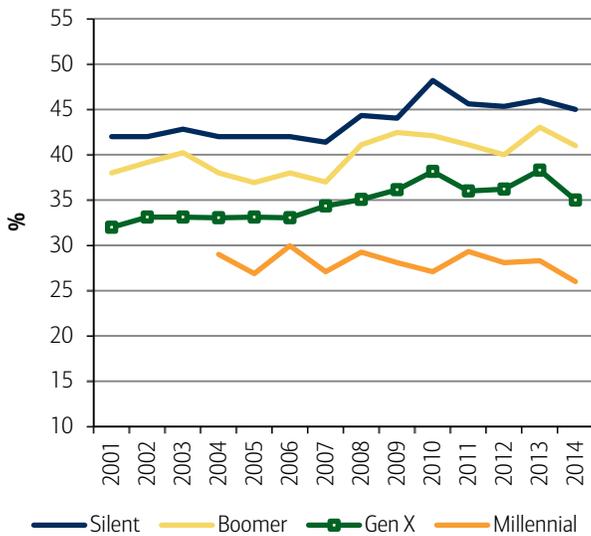


Source: JWT

Politics: more liberal, less conservative

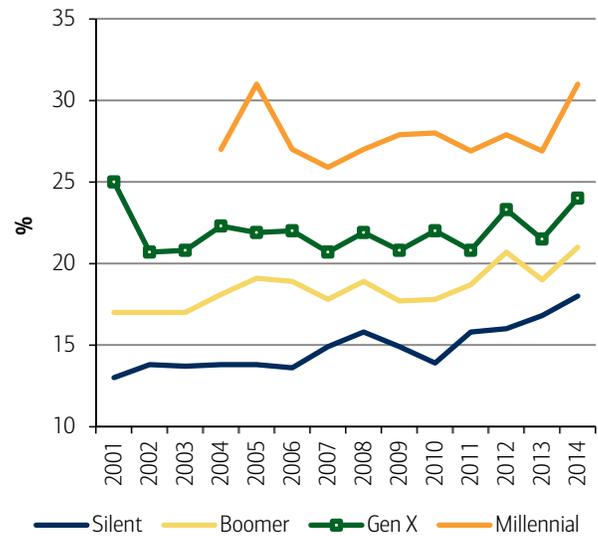
In the US, Millennials are more likely to be political supporters of liberalism than any other generation. 31% identify themselves as such while only 26% identify themselves as conservative (source: Pew Research). Although the data indicates that the US is generally moving in the direction of liberalism, it is in the Gen Y cohort that we observe the greatest rate of increase.

Chart 46: % who identify as conservative



Source: Pew Research 2014

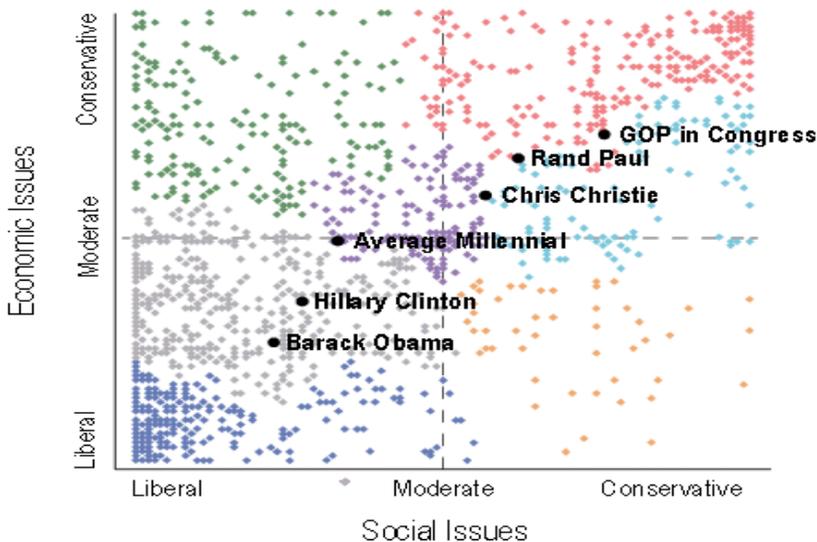
Chart 47: % who identify as liberal



Source: Pew Research 2014

This trend is also reflected in their positioning on the political compass. The “average Millennial” generally leans more towards the left in the US, aligning more closely with Democrats such as Obama and Clinton (source: Reason, Rupe Spring Poll).

Exhibit 8: Millennials' ideological positioning on economic and social issues



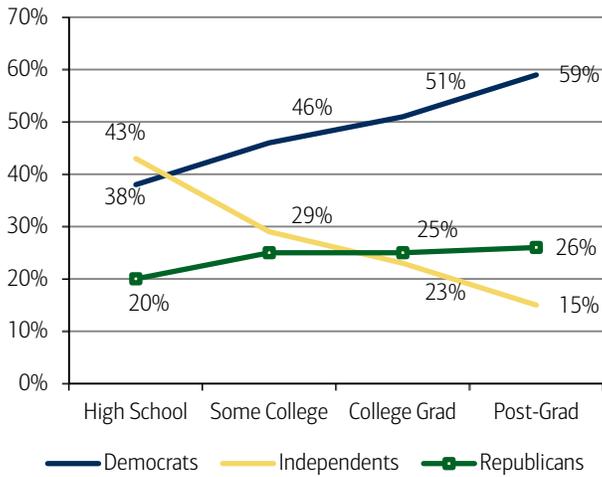
Source: Reason, Rupe Spring 2014 Millennial Poll

But political views may move further right, just like predecessors

However, Millennials seem to move more towards the “political right” with age – like previous generations. As Millennials age and begin to buy homes and get married, they tend to become increasingly Republican: 21% of unmarried, non-homeowners said they were a Republican vs. 34% of married homeowners (source: Reason).

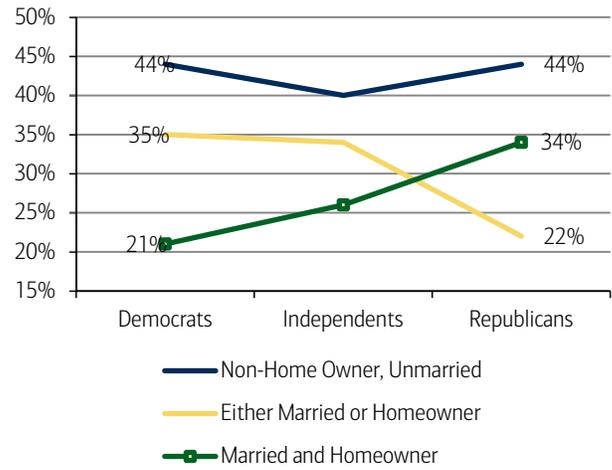
“Millennials will be 40% of the US electorate by 2020E” – Center for American Progress

Chart 48: Millennials become less independent and more Democratic the longer they are in school



Source: Reason-Rupe

Chart 49: Millennials become less independent and more Republican as they buy homes and marry



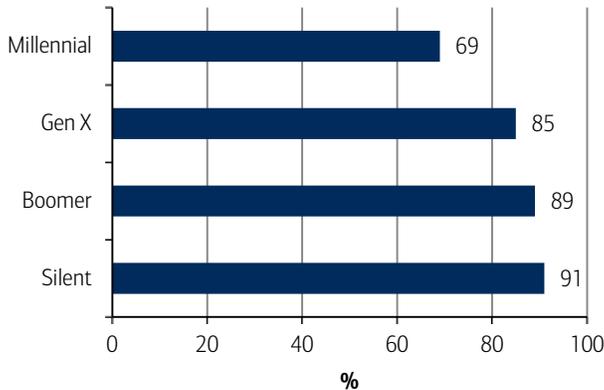
Source: Reason-Rupe

Vote-of-no-confidence: distrust government, abstain from voting

Millennials have a lower voting turn-out than other generations, driven by their perceived distrust of government. Although this can also be said for the young demographic of eras gone by, this trend has accelerated. This is driven by Millennials' disillusionment with politics and the poor state of their finances. According to Pew Research, only 69% of Millennials are registered to vote and/or said they almost always vote. On the other hand, nearly 9/10 Baby Boomers said they were regular voters.

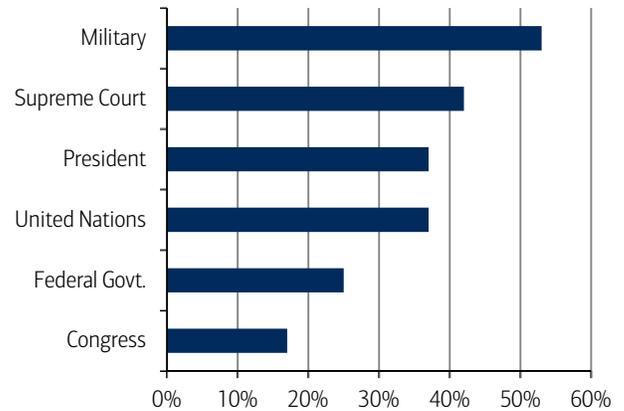
"American Millennials trust the UN more than Congress" - Harvard

Chart 50: % of registered voters who say they "always" or "almost always" vote



Source: Pew Research

Chart 51: % of Millennials saying they're confident in US institution



Source: Harvard IOP

They are also sceptical of big government, driven by recent impasses; e.g., the fiscal cliff where confidence in the state is at an all-time low. According to a study by Harvard, Millennials have greater trust and confidence in the military (53%) than the President (37%) or Congress (17%). Generation Y are less trustful of those in power, compared to their predecessors because of their independent thinking approach, in our view.

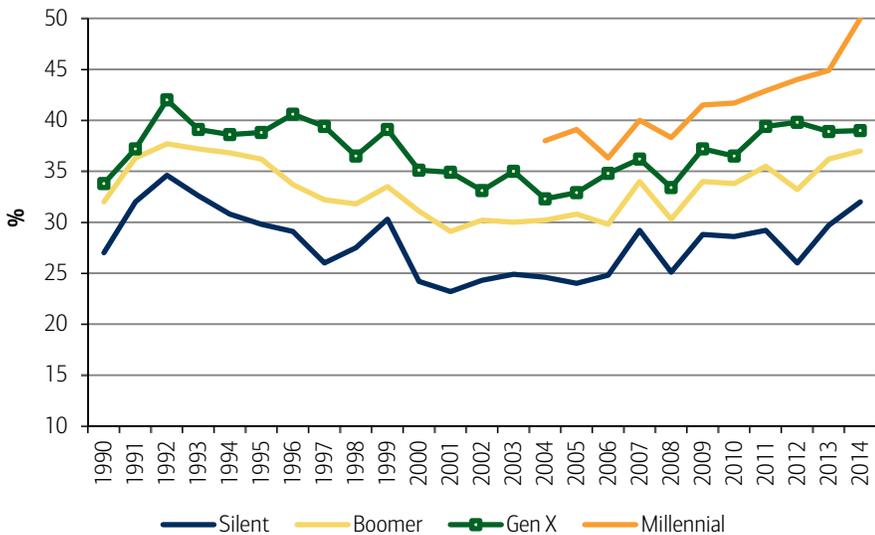
31% of Brazilian, Russian, Indian Millennials trust government

Millennials in Brazil and Russia are much more dissatisfied with their political leaders, where fewer than 3 in 10 believe that their governments act promptly to help people and that their leaders are in touch with people's needs. Indian Millennials are marginally more positive, with 4 in 10 seeing the government in touch with the needs of citizens. (source: JWT Intelligence).

Rise of the political independent

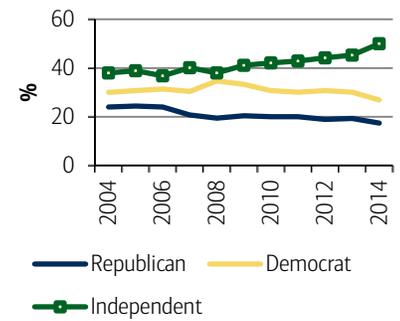
Recent trends have shown that Millennials are becoming increasingly politically independent – neither identifying themselves as a Democrat or Republican. Instead, there has been a surge in political independents with 50% of Gen Y identifying themselves as such in a 2014 poll. This will have important implications for voting in US elections as Millennials become the core base of the electorate (source: Pew Research).

Chart 52: % who identify as political independents by generation



Source: Pew Research 2014

Chart 53: Millennial political independents taking share from Democrats & Republicans

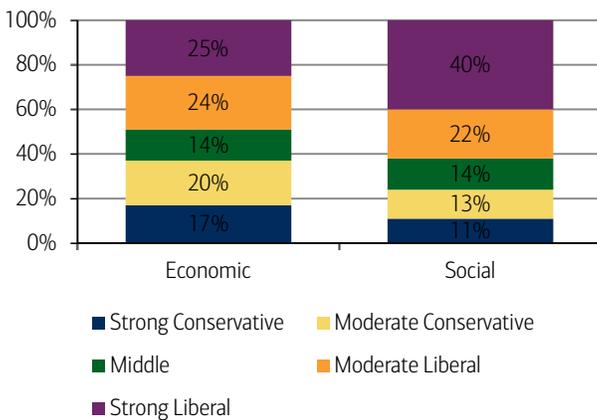


Source: Pew Research 2014

Social liberals, fiscal centrists - implications for future elections

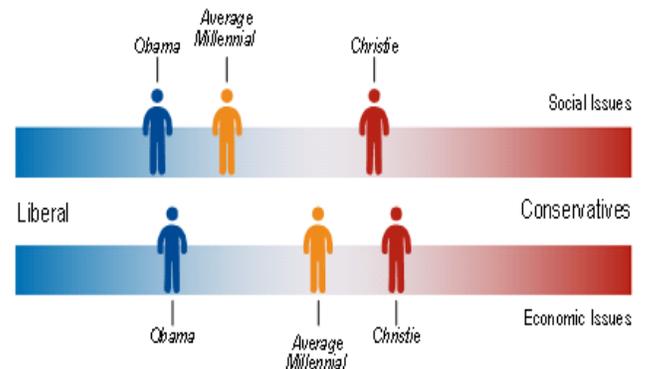
The average US Millennial leans more towards the left on social issues, but more towards the right on economic and fiscal matters. This is significant because it has mixed implications for the US election in 2016, in our view. Furthermore, if we include the rise in the number of independents (ie, an electorate that identifies with none of the established parties), this creates an electorate which is hard for parties to appeal to.

Chart 54: Millennials are social liberals, fiscal centrists



Source: Reason, Rupe Spring 2014 Millennial Poll

Exhibit 9: Lean closer to Obama socially, but closer to Christie economically

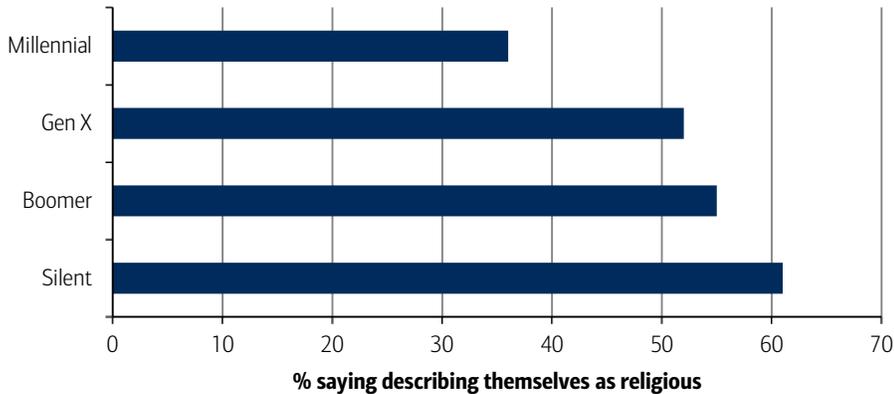


Source: Reason, Rupe Spring 2014 Millennial Poll

Religion: fewer believe in God

Millennials are less religious than previous demographic age groups. Only 36% of US Millennials describe themselves as religious compared to over 50% of Baby Boomers (source: Pew Research)

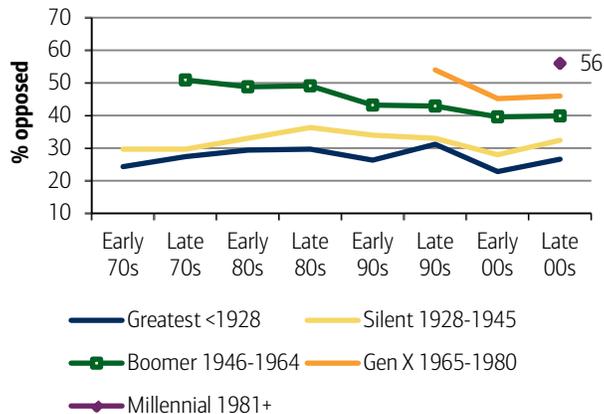
Chart 55: % saying they don't see themselves as religious



Source: Pew Research 2014

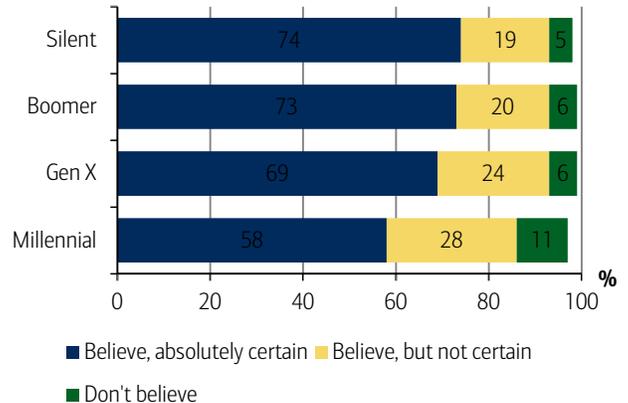
In addition, only 58% of Millennials say they absolutely believe in God vs. 73% of the Baby Boomer sample. They also oppose religious teachings such as the Bible, with 56% supporting the US Supreme Court's ruling to ban required reading of the Lord's Prayer or Bible verses in public schools (source: Pew Research).

Chart 56: Opposition to Bible Reading, Lord's Prayer in Schools



Source: Pew Research

Chart 57: Millennials and God: % saying that they ... in God

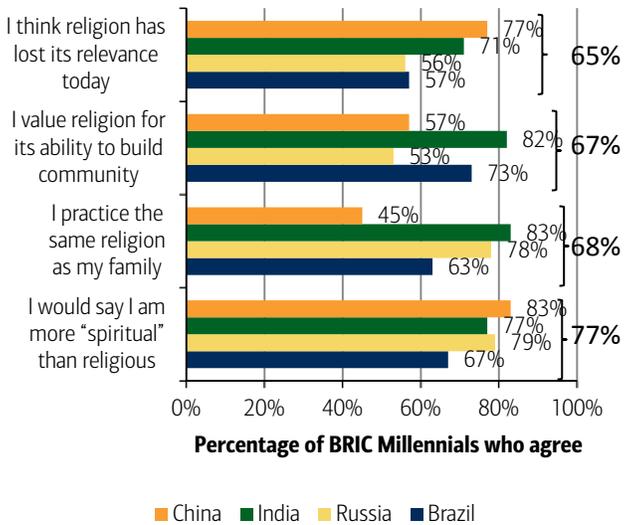


Source: Pew Research 2014. * percentages don't add to 100% because of N/A

BRICs: more spiritual than religious

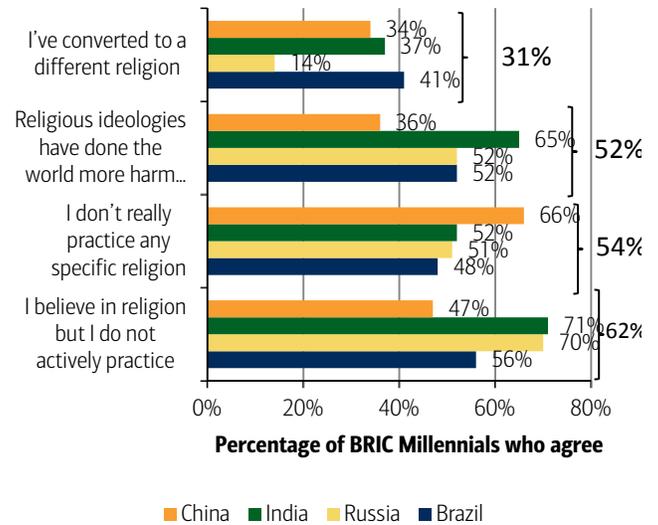
Religious ideology takes on a different tone for BRIC Millennials. Nearly 8 in 10 (77%) would say they are "spiritual" rather than religious, over half do not practice any religion (54%), and nearly 1/3 has converted to a different religion (31%). Within that, Indian Millennials are the most religious, where 83% (vs 68%) will practice the same faith as their parents. On the other side of the spectrum, 2/3 of all Chinese Millennials do not practice any specific religion. (Source: JWT Intelligence).

Chart 58: Religion today



Source: JWT

Chart 59: Religion today

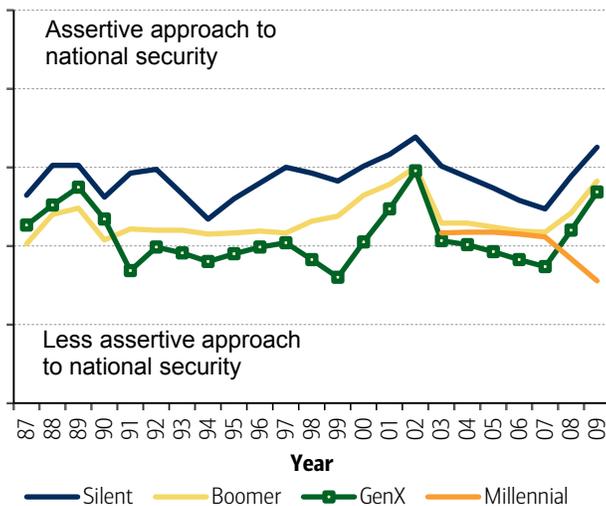


Source: JWT

War & conflict: pacifist generation

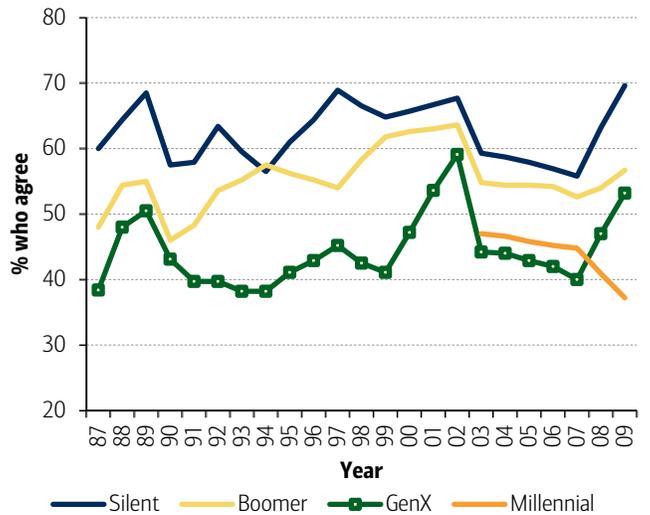
Millennials are key drivers of the trend towards pacifism. Young men from the Silent generation were 10x more likely to have served in the armed forces than their Millennial counterparts (source: Pew Research). Millennials are also more likely to disapprove of war compared to previous generations, with <40% saying the best way to ensure peace is through military strength.

Chart 60: Belief in assertive vs. passive approach in National Security Index



Source: Pew Research

Chart 61: Q – “the best way to ensure peace is through military strength



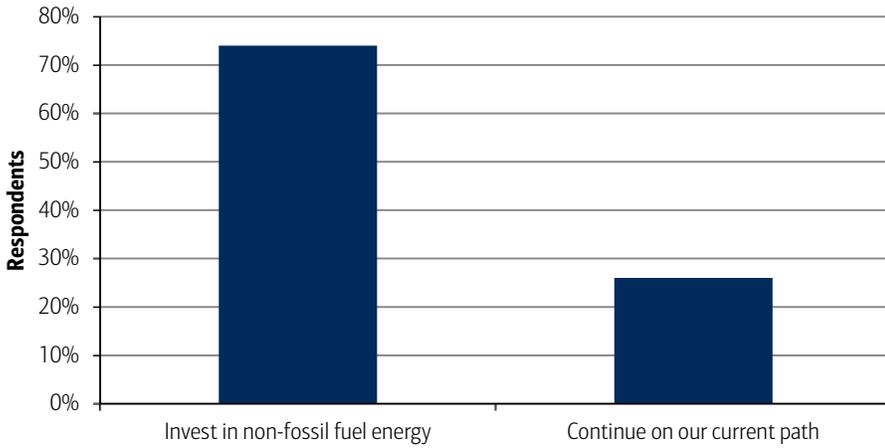
Source: Pew Research

Environment: conscious & committed to cleantech

Millennials think the debates over environmental protection and fossil fuel divestment are defining features of their generation. They believe stakeholders must embrace the need for major investments in clean(er) energy technologies in order to maintain a more sustainable economy. 74% of Millennials in the US believe we need to invest now in non-fossil fuel related energy vs. just 26% saying we should continue on the current global energy path (source: American Progress).

“74% of Millennials in the US believe we need to invest in non-fossil fuel energy now for a sustainable economy” – Center for American Progress

Chart 62: Millennials believe we must seize the energy opportunity

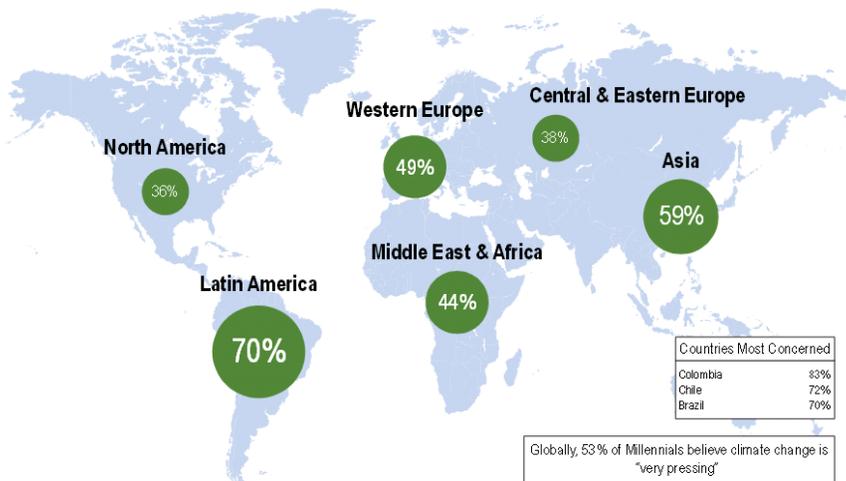


Source: American Progress

Less sceptical on climate change

Millennials are also bigger believers in climate change with a smaller percentage of the population identifying themselves as extreme weather sceptics. According to Telefonica’s Global Millennial survey, 70% of LatAm Millennials believe climate change was a “very pressing” issue. However, there are exceptions to this trend, with only 36% of North American Millennials agreeing with this statement. The countries most concerned were Colombia (83%), Chile (72%) and Brazil (70%).

Exhibit 10: % saying the issue of climate change is "very pressing"

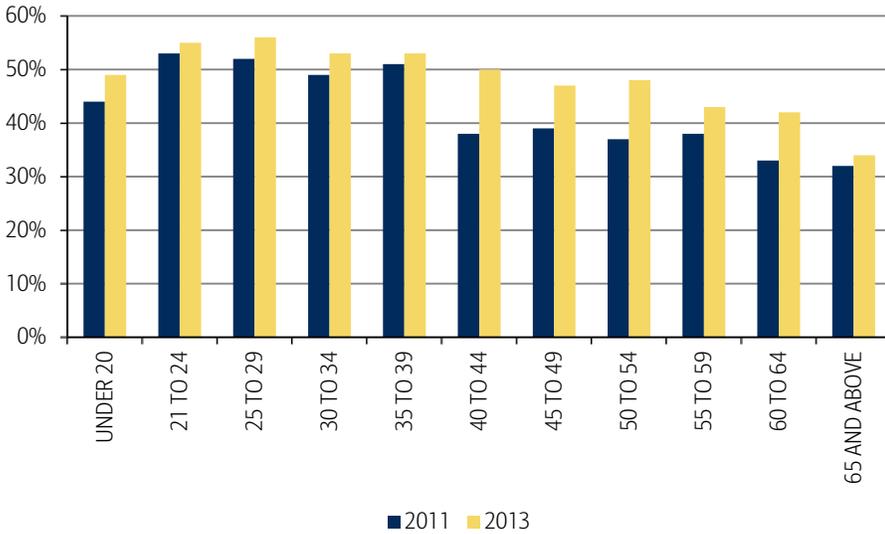


Source: Telefonica

Social responsibility: key to purchasing decisions

Millennials are more likely to invest and buy products from what they perceive as “socially responsible” companies. A survey by Nielsen found that between 2011 and 2013, Millennials had the highest spending rates on products from companies exhibiting sustainable qualities compared to older generations. We think this highlights how they look beyond the materialist consumption associated with the Baby Boomers, and the product package as a whole and what it represents.

Chart 63: #1 spenders on products of sustainable cos.



Source: Nielsen Global Survey on Corporate Social Responsibility Q1 2011 & Q1 2013

Impact investing: key investment criteria

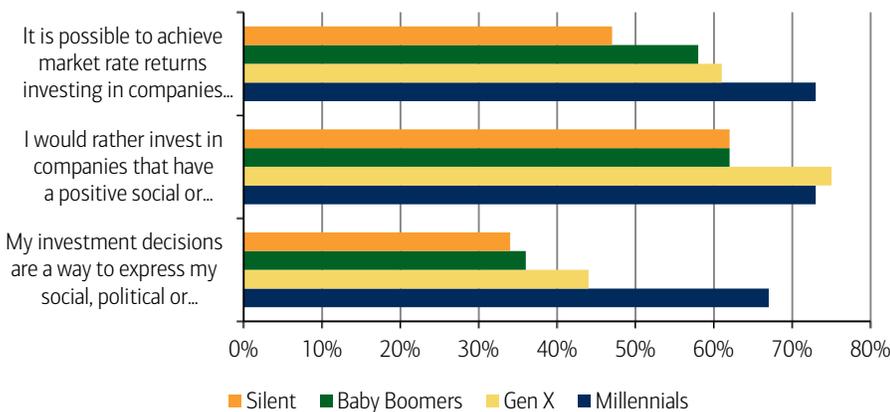
By age demographic, Millennials hold the strongest views vis-à-vis impact investing. Hence the values of Millennials are also present in how they invest their wealth and assets.

- 67% of Millennials said their investment decisions are a way to “express their social, political or environmental values”.
- 73% believes it is possible to achieve market rate returns on companies based on their “social or environmental impact” (Source: US Trust).

Hence, in our view, this generation could be a key driver of impact investing in the future. It also shows how Millennials are more aware of long-term thematic issues around the world and how they seek to “make the world a better place”, in our opinion.

“73% of Millennial investors believe it is possible to achieve market rate returns on companies based on their social or environmental impact” – US Trust

Chart 64: Investor attitudes about social impact investing



Source: US Trust, BofA PWM

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Underperform	N/A	≥ 20%

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