

# Millennial Buying Power is Changing Industry Landscapes: RV, Marine and Motorsports

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The millennial generation is often the subject of speculation as experts weigh in on how its actions and reactions will shape history. The millennial population is 85 million strong in the U.S.—the largest in the nation’s history.<sup>1</sup> The spending habits and earning potential of this generation, born between 1977 and 1995,<sup>2</sup> are closely studied because of the generation’s unique positioning: A portion of the demographic graduated from college during the height of the great recession and is subsequently experiencing delayed earning power. Many are highly educated with substantial student loans. They are technology-dependent with a propensity toward purchases that align with experiential values and environmental conservation. As the careers of some millennials are just now gaining momentum,<sup>3</sup> some industries are heating up while others are cooling down depending on their alignment with this generation’s ideologies, beliefs, and styles.<sup>4</sup>

For more than 40 years, Wells Fargo Commercial Distribution Finance™ (CDF) has provided inventory financing to the boating, recreational vehicles (RV) and motorsports industries. As existing motorcycle riders and boaters get older, industry associations, manufacturers, and others are taking note. Millennials represent a large and growing market—one that is causing large players in the industries to rethink their product, marketing, and sales strategies. In this article, tenured CDF industry leaders reflect on the pivots that their respective industries are making in order to appeal to a new generation—employing strategies that run the gamut from technological to ideological.

## Chasing the Experience

Millennials are understood to value a collection of unique experiences over accumulating possessions—prioritizing access over ownership.<sup>5</sup> How an industry aligns itself with this value might be a predictor of how it fares with the generation at large. Perhaps in part due to the nature of the experiences it offers, millennials are adopting the outdoor, adventure-seeking RV lifestyle at remarkable rates and the industry is stretching itself to cater to the preferences of this new generation.<sup>6</sup> According to Tim Hyland, CDF RV President, “They’re experiential; RVs are that experience.” As such, the RV industry is seeing unprecedented gains with millennials.

The marine industry is also pushing ahead into uncharted territory as more dealers adapt to an economy that is seeing an increase in peer-to-peer sharing in the marketplace. CDF Marine President Bruce Van Wagoner explains, “Everyone wants to expand their marketplace. You can’t do it the way you’ve always done it. You’ve got to open your mind and adjust your direction.” The marine industry is hoping that boat clubs, which have recently become more popular, will deliver a new generation of boaters. “We feel that by listening to millennials and providing them with the opportunity to experience boating before purchasing they’ll get the ‘water gene’—they’ll like the experience so much they’ll want to own a boat in the future,” says Van Wagoner. The marine industry as a whole seems to be collectively working toward a rebrand of the boating lifestyle to gain the affection of the millennial generation.<sup>7</sup>

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When it comes to a generational opinion on an industry, it seems to be all about merchandising and positioning. Van Wagoner hopes that marine will be able to better deliver experiences: “Boats are a tool for entertainment. It’s not just about getting from point A to point B. You’re swimming, you’re fishing, you’re skiing... It’s *fun!*” This sentiment is being reinforced as the marine industry aligns itself with more activities-based experiences—kayaking and stand-up paddle boarding act as springboards into the boating lifestyle.<sup>8</sup>

While the RV and marine industries are responding to ideological challenges head on, motorsports seems to be behind the curve but opportunity abounds. While the riding culture of previous generations successfully propelled the popularity of the industry, the individualistic, rebellious biker image appears have fallen out of vogue with a younger generation.<sup>9</sup> According to CDF Motorsports President Jeremy Jansen, “From what we’ve seen, big motorcycles aren’t very appealing to millennials. They haven’t shown much interest in the on road, fast, pack mentality ideological riding culture of the 20th century.” Still, millennials are entering the motorsports market. Half of today’s prospective motorcyclists are young, unmarried, and employed—quintessential millennials. They’re brand agnostic, they’re paying cash and the biggest motivator of their purchase is price.<sup>10</sup> In turn, sales have shifted to smaller and more affordable bikes, as well as off road/adventure bikes and a new product category: Three-wheeled motor vehicles, which offer a “cool” factor and the opportunity to evoke more of an outdoor lifestyle. For motorsports, the big-picture strategy has begun to shift. The industry is welcoming a new generation of riders and a refreshed riding culture.

## Environmental Stewardship

The RV Industry Association is a founding member of the Outdoor Recreation Roundtable (ORR), which advocates for policies that will improve public lands and waters. House and Senate RV Caucus Members are champions for the RV industry and RV lifestyle on Capitol Hill. According to Hyland, “If you think about it, the nature of the industry is one that focuses on the outdoor lifestyle. Taking care of nature so that it’ll be there for everybody in the long run, the industry cares about that. They’ve collaborated with other industries to become a part of the outdoor recreation industry and have more influence in Washington as a result. They’re advocating for things such as investments in National Parks. The industry is focused on maintaining a pristine outdoor environment and millennials are attracted to that.”

Similarly, Van Wagoner notes that the marine industry has positioned itself toward sustainable practices as well: “They’re constantly improving the quality of the engine. Electric is having more influence in the market. Outboard motors used to be noisy and smoky, but now they’re clean and quiet. It’s amazing. That makes a statement about the importance of the environment. The biggest names in the industry are continually investing in conservation to make sure we have the great outdoors to enjoy.”

However, motorsports finds itself more precariously positioned. Jansen notes, “Motorcycles are loud but highly efficient modes of transportation.” Some of the biggest names in motorsports have gone to market with an electric motorcycle, but not from the angle of environmental stewardship. According to Jansen, “Millennials are more attracted to the efficiency aspect of motorsports vehicles. While some big names in the industry have debuted electric bikes, the current cost to make one with range is expensive and preventing further growth in that market. However, as we continue to make strides in any and all things eco-friendly, that could potentially change.”

Each industry presents unique opportunities wherein it is well-positioned to capitalize on generational priorities. Whether the industry offers the experience of physical closeness to nature or a practical way of getting around, it is in the interest of each respective industry to adapt themselves to the millennial mindset and learn lessons from the successes of those that have done so most adeptly.

## Digital Opportunities

Skillful, strategic use of technology and digital media helps make some activities more desirable amongst millennials. Both RV and marine have benefited from crowdsourced marketing phenomena of meticulously edited photography. The marine industry touts views of crystal blue waters with shining boat decks. RV imagery presents perfectly positioned campervans with doors propped open to present a panorama of pristine wilderness. The marine industry gave its social media presence a jump-start with social media campaigns like #iwantaboat to help boost visibility among millennials.<sup>11</sup> The more millennials warm to an industry, the more they blaze a hashtag trail across social media.

The RV industry faced challenges head-on when it reinvented its marketing style as part of a general migration to the online space prescribed by the behaviors of millennial shoppers. According to Hyland, this shift was well worth the growing pains because RV has experienced success in making the move. “The RV industry has changed how dealers reach customers because dealers can’t just do what they used to do, which was find a good location on a main road and display a bunch of great looking units so people can see them

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as they drive by,” explains Hyland. “Now, they need expert marketing campaigns online. Millennials are online shopping, discovering features, understanding differences and by the time they come in to a dealership they’re very well informed.” Hyland stresses that the best run dealerships are harnessing the power of data—and this initiative is driven by the goal to reach millennials.

When it comes to well-executed social media marketing campaigns in the marine industry, Van Wagoner has seen the results in action. “Some dealers are pretty old school and they’re sticking with the old ways of attracting customers.” But Van Wagoner recalls an instance when a young team pulled off a remarkably swift new product announcement on behalf of a dealer. He remarks, “Typically, it would take a month or two to deliver this message, and they managed to do it within hours. I think that’s an example of how millennials have embraced new technology and it’s a strength they’re bringing to the market—whether they’re reaching other millennials or all of the market.”

Industries that want to capture the attention of their consumers must have an online presence. Whether the target market is millennials or baby boomers, all generations are increasingly online. Increasing the visibility of an industry in the social space keeps the lifestyle relatable, relevant, and part of a larger cultural conversation.

## **Selling a Lifestyle**

Regardless of industry, cost of entry can be a barrier for millennials.<sup>12</sup> Each industry is making itself more available in different ways—each with varying degrees of success. RV’s approach is exemplary because of its product adaptation to deliver at more palatable price points. According to Hyland, the RV industry is seeing popularity, “Not as much in the high end, but with the more entry and mid-level units. The industry has done a great job in shifting the product as well as developing new approaches on how to sell to millennials. If you’re not doing that and changing how you reach your customer, you’re leaving that group behind. And you don’t want to leave that group behind.” The thought process behind offering a wider range of products is that a millennial has more choices and flexibility with features that fit his or her needs when buying into the RV lifestyle.

Offering entry-level and mid-level units at lower price points can spell trouble for an industry accustomed to luxury segments doing the heavy lifting—as motorsports knows all too well. Jansen explains, “Millennials are more cost-conscious. They don’t buy a \$15,000 motorcycle to ‘be seen’, they buy a \$5,000 motorcycle to get from point A to point B... And those lower price motorcycles are equipped with millennial attracting extras (connectivity to mobile devices, GPS).” The trajectory for upgrading is different because millennials view the industry as a method of transportation rather than the aspirational lifestyle their predecessors considered it to be. “Most baby boomers will tell you their first ride was on a 50cc Honda dirt bike in the 50s, 60s, 70s,” Jansen says. “Now first rides aren’t on dirt bikes, but they’re on the smaller cc street bikes as a cost effective mode of transportation.”

Bigger, on-road cruisers—the literal heavyweights of the motorsports industry—have not found popularity with millennials.<sup>13</sup> Putting aside a generational lack of aspiration toward the riding culture, big bikes are too expensive for a population burdened by student loans.<sup>14</sup> Jansen says, “I am optimistic that millennials are buying motorcycles. They’re just not buying expensive motorcycles right now. The fastest growing motorcycle categories are smaller bikes that are more cost efficient.” The bottom line price is precisely what the majority of prospective millennial riders are shopping for—they are not planning to finance their bike.<sup>15</sup> Motorsports has become attractive to this generation as an efficient mode of transportation. While bikes at lower price points are making strides for their fuel-efficiency and practicality, only time will tell whether millennials will upgrade and if it will be at the same pace at which baby boomers age out of riding.

Marine is bridging the cross-generational gap by leveraging it. Van Wagoner says the industry understands the problem it faces in the price of the product: “For those starting out, it’s a stretch and a challenge to get people into the market.” The marine industry, in particular, is taking a family approach to its marketing and sales tactics in considering that the person making the purchase is often under the influences and opinions of others. Making boating memories at an early age or influential time in a person’s life just might strengthen a millennial’s drive to maintain the boating lifestyle independently in the future—but for now the cost of entry into the industry keeps them largely renting.

## **An Invitation to Experience**

A rental economy is giving millennials a taste of experiences on demand and each industry is navigating at different maturity levels, but marine is the most advanced. The idea is for the adapted rental model to give the younger generation a taste of the lifestyle, with the ultimate goal of motivating them to buy into it.<sup>16</sup> However, the industries with the most units with entry-level pricing are those that

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are seeing the most success with the millennials, as their cost to enter is lower and sharing is not as critical. Hyland explains, “I think people would say that the reason it’s important millennials have gravitated to RVing is because once you’ve adopted the lifestyle, you stay with it. You might start with a pop-up then later in life move onto a travel trailer or a fifth wheel.”

Going beyond the cost to buy in, Van Wagoner takes a more holistic approach to the strategy of selling an industry that’s cost-prohibitive for many. “I believe it takes a concerted effort,” he explains. “You have to constantly evaluate what millennials are looking for. Make it easier for them to get out on the water so they can experience boating and get interested in spending their time and money in it. Most of the people in boating probably started because of their parents or their friends. So, if you celebrate boating, do things that would engage more people. Take somebody else boating! That’s something you can do. Bring others into the market. If you’ve been blessed enough to have a boat, share that blessing.”

Millennial spending is on the rise and industries are prudent to take notice. If collecting experiences is a core value for the millennial generation, any business can work toward delivering that experience. This goal needs to be central to strategy when building a website, posting on social media, delivering a digital ad campaign, and clear in the approach taken when customer interfacing in real life. Experiences are shareable—both from a first person hands-on standpoint and from a social/digital perspective.

Each industry occupies a piece of American nostalgia and each generation will take a viewpoint through its unique cultural lens. The speed at which an industry finds popularity with millennials, however, just might depend on exposure. Whether you are on an adventure by RV, boat or motorcycle, each vehicle stands to deliver an experience—it just depends on who is along for the ride.

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