Watch Out: 3 Worrying Trends as Millennials Gain Influence

Description

A new report by **Goldman Sachs** is drawing attention to one of the world's most important demographics – not the retiring baby boomers, but rather millennials, those born between 1980 and 2000. As lead analyst Lindsay Drucker Mann put it, "With the purchasing power scales now tipping in millennials' favor, we expect the disruptive impact of their ascent will be an important hallmark of the next 5 years."

The report focused mainly on American names, recommending companies focused on sports and wellness, and trashing companies that sell unhealthy food and drinks. But what about Canadian investors? Below are three things to keep in mind as millennials slowly gain more influence.

1. Retailers beware

The younger generation, having grown up with the internet at its fingertips, is much more comfortable with online shopping than previous generations. This is a serious problem for Canada's retailers, who will never be able to fully compete with **Amazon** in the online retailing world. Another issue with the younger generation has to do with luxury goods, which more often bring about feelings of disdain rather than feelings of envy.

So retailers should be very concerned by these trends, especially department stores like **Hudson's Bay** (TSX: HBC). As should their investors.

2. Don't jump on the Lululemon bandwagon just yet

Yogawear is without doubt a growing industry, one that will benefit from the growing influence of millennials. And as the market leader, one would naturally expect **Lululemon** (TSX: LLL)(Nasdaq: LULU) to ride that wave.

The problem is that Lululemon has historically relied on its brand power to sell clothing at a premium. Nowadays, due to some product recalls and PR mishaps, the brand is on shaky ground. And competitors are flooding in, putting downward pressure on pricing. At least the millennials are happy about this last point.

3. Watch out for the telecoms

The rise of the millennials is also coinciding with the propensity to watch videos online, rather than through a traditional television subscription. According to a new report released today, the total number of TV subscribers in Canada actually fell, thanks to the popularity of rival offerings like **Netflix**.

This should be particularly worrying for investors in **Rogers** (TSX: RCI.B)(NYSE: RCI), which counts on cable subscriptions for over a quarter of its revenue (this doesn't include its various TV channels like City, OMNI, and Sportsnet). Rogers is a company that investors count on to deliver predictable earnings and steady dividends – any threats to its business model from the rise of millennials should not be ignored.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:LULU (Lululemon Athletica Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)

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Date
2025/07/26
Date Created
2014/05/16
Author
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