Our Team

Kaelan Moore
- Kelley School of Business, 2019
- Majors: Finance and Accounting
- Director Sustainability Council

Michael Kraft
- Kelley School of Business, 2019
- Majors: Finance and Accounting
- KLLC Ambassador

Chetan Chauhan
- Kelley School of Business, 2019
- Majors: Finance and Economic Consulting
- Phi Chi Theta Business Fraternity
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Executive Summary

- **Overview**
  - Ralph Lauren is seeking an additional avenue to increase shareholder value
  - Objective: select a strategic alternative to extract maximum returns for shareholders

- **Recommendation**
  - Pinnacle Capital recommends a strategic acquisition of ASOS PLC, per share value $51.59, a 33% premium

- **Industry Analysis**
  - The luxury fashion industry is expected to reach sales of US$328 billion in 2016, an increased of US$11 billion from 2015
  - Sales of online luxury goods are booming, reaching almost US$25 billion in 2015 up 134% from 2005 numbers, and are seen as a key battleground for the industry over the next five years
  - Millennial consumers are forcing the industries leading brands to rethink their online and in-store strategies to not only sell their products but the experience as well

- **Acquisition Assessment**
  - ASOS is an online retail store primarily focused on the millennial demographic, ages 18-35
  - ASOS is an international company, with 90+% of total sales coming from outside the US
  - Net income has been on a steady rise and is expected to continue this trajectory

- **Strategic Alignment**
  - An increase international online presence will drive sales and increase overall brand image
  - A combined online and in-store effort to enhance each consumers experience will allow for an increase in net income
  - Enhanced ability to attract millennials will increase overall number of customers by tapping into a demographic largely untouched by luxury fashion brands
Industry Overview

Country Overview
- United States is expected to perform better than in recent years with asset prices increasing considerably.
- There has been a sharp rise in the value of the U.S. dollar in recent years and that is expected to continue.
- Europe’s and Japan’s monetary policies are boosting growth and asset prices.
- China’s economy continues to decelerate, even as the government takes steps to boost credit market activity.

Industry Outlook
- Asset prices have done well thus boosting the purchasing power of upscale consumers.
- Rise in value of dollar could cause a problem for US exports as competitiveness has decrease.
- Cost savings for US companies paying workers or buying materials in foreign currencies.

Why Technology Matters
- The industry in ready to shed the negative connotation of being a digital latecomer.
- Many brands are embracing the potential for digital technology to reach the emerging millennial generation, enhance brand awareness, and establish a broader geographic reach.
- World sales of online luxury fashion reached almost US$25 billion for 2015.

Industry Highlights
- Total revenue in FY2015 US$317 billion.
- The US remains by far the biggest luxury fashion market reaching US$78 billion for 2015.
- The US has a market share value of almost 67%, and is expected to increase an additional US$15 billion in the next five years.

Future Projections
- Online global retail sale represents 7.3% of overall industry revenue and is expected to climb to 12.4% by 2019.

Percent of Sales by Generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>2014</th>
<th>2020</th>
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<tbody>
<tr>
<td>Millennials</td>
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<td>Generation X</td>
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<td>20</td>
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<tr>
<td>Baby Boomers</td>
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<td>15</td>
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<tr>
<td>The Silent Generation</td>
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<td>5</td>
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<tr>
<td>The Greatest Generation</td>
<td>10</td>
<td>5</td>
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</table>

2014
2020
Ralph Lauren Company Overview

Company Highlights

- Headquartered in New York, New York; Ralph Lauren is a premier luxury lifestyle brand that is universally recognized
- Products in four categories: apparel, home, accessories, and fragrances
- Consistent revenue growth through diversification of geographical location, distribution channels, and target consumers

Global Reorganization Plan

- May 12, 2015 Ralph Lauren’s board of directors approved a reorganizing and restructuring plan
- Purpose of strategic reorganization: to improve global operational efficiencies
  - Reorganization of the Company from its current channel and regional structure to an integrated global brand-based operating structure
  - Expecting a reduction in operating expenses of approximately $100M

FY15 Financial Highlights

- Net Revenue: $7.620B
- Net Income: $702M
- 10% Increase in net revenue from 2013 to 2015

Yearly Revenue/ Net Income

Recent Activity

- 9/29/2015: Ralph Lauren steps down as CEO and is replaced by Stefan Larsson
- 5/12/2015: board announces Global Reorganization Plan implementation
- 3/28/2015: Ralph Lauren announced $500 M of shared repurchasing

RL Company Overview | 6
International Growth

- Ralph Lauren’s increase in retail revenues during 2015 was primarily due to a 16% revenue growth in its global e-commerce operations
- Currently ships to 52 countries, although looking to expand further into Europe and Asia

Revenue by Geographical Location

- Revenue for FY2015 United States: $5,077 M
- Revenue for FY2015 Europe: $1,627 M
- Revenue for FY2015 Asia: $916 M

Revenue Breakdown

Key Company Objectives

1. International Growth
2. Direct-to-Consumer Growth
3. Investment in Operational Infrastructure
4. Global Talent Development and Management

Wholesale Segment

- Represented approximately 46% of fiscal 2015 net revenues
- Consists of sales made principally to major department stores and specialty stores
- Three key wholesale customers accounted for 78% total wholesale net revenue for 2015

Retail Segment

- Represented approximately 52% of fiscal 2015 net revenues
- Consists of sales made directly to consumers through integrated retail channels, which includes retail stores, concession-based shop-within-shops, and e-commerce operations

Licensing Segment

- Represented approximately 2% of fiscal 2015 net revenues
- Consists of royalty-based arrangements under which Ralph Lauren license to unrelated third parties for specified periods
ASOS PLC Company Overview

Company Highlights
- Headquartered in Camden, London
- The United Kingdom’s largest online shopping retailer; sixth largest in the world
- Primary target demographic is millennials (age 18-35)
- Revenue has consistently increased since the company’s inception in 2000
- Offers items from over 900 boutiques in 40 countries, including more than 80,000 products
- Ship to more than 240 countries

Yearly Activity
- 2015
  - Zonal pricing for different countries
  - Extended one day shipping in the UK and two day shipping in the US
- 2014
  - Launched their mobile app in Europe
  - Opened first European warehouse

FY 2015 Highlights
- Total sales increased by 13%
- Net assets increased by 23%
- 29% increase in United States sales

Key Company Objectives
- Become the #1 online retailer for shoppers ages 18-35
- Continue to expand international business
- Expand mobile and social media platforms to continue to engage target demographic
- Develop new boutiques and styles for an evolving customer base

Website Viewing Rank by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Viewings</th>
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<tr>
<td>Australia</td>
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<tr>
<td>China</td>
<td>2</td>
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<tr>
<td>France</td>
<td>6</td>
</tr>
<tr>
<td>Germany</td>
<td>11</td>
</tr>
<tr>
<td>Italy</td>
<td>16</td>
</tr>
<tr>
<td>Russia</td>
<td>21</td>
</tr>
<tr>
<td>Spain</td>
<td>26</td>
</tr>
<tr>
<td>UK</td>
<td>31</td>
</tr>
<tr>
<td>US</td>
<td>1</td>
</tr>
<tr>
<td>Worldwide</td>
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</table>
Corporate Responsibility Strategy

- Four tiers
  - Ethical trade
  - Sustainable Business
  - Sustainable Fashion
  - Community
- “The Green Room” – specific section of website dedicated to environmentally responsible fashion and clothes
- Started working with anti-bullying committee
  - The Diana Award

Customer Engagement

- Active on 10 social media sites
- Magazine; sent to over 475,000 people
- “Fashion Up” app – shop and engage with ASOS via the iPhone, iPad, and Apple Watch app
- ASOS news website
- Host “Fashion Week” to showcase new styles
- Access to personal stylist
- 10.7 million active members

Projected Earnings Per Share

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<tr>
<th>Year</th>
<th>Estimate EPS</th>
<th>Actual EPS</th>
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<td>0.2</td>
</tr>
<tr>
<td>2012</td>
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<tr>
<td>2013</td>
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<tr>
<td>2014</td>
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<tr>
<td>2015</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>2016</td>
<td>1.2</td>
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<tr>
<td>2017</td>
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<tr>
<td>2018</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>2019</td>
<td>1.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Revenue Breakdown by Country

- UK: 42%
- US: 26%
- EU: 21%
- RoW: 11%
**Company Highlights**

- Headquartered in Los Angeles, California
- Guess? has five main divisions to its company: Europe, North American retail, Asia, North American wholesale, and licensing
- 42% of Guess? total revenue comes from its North American retail division
- Guess? owns eleven total trademarks for its different clothing lines

**Revenue Breakdown by Division**

- NA Retail: 34%
- Europe: 7%
- Asia: 4%
- Other: 12%
- Total: 100%

**FY 2015 Highlights**

- Reduced marketing budget by $15 million
- Opened 177 new stores worldwide
- 2015 sales totaled over $2.3 billion

**Future Expectations and Plans**

- Net income is expected to grow between 1-2% during FY2016
- Deploying an “omni-channel” strategy that allows seamless shopping in store or online
- Guess? is continuing to expand its new MARCIANO line into its retail stores
- Continuous reevaluation of underperforming stores to implement new business models
- Phasing out G by Guess brand to introduce Guess? in international locations

**Future Expectations and Plans**

- Graph showing revenue growth from 2011 to 2015 for Guess? and the industry average.
Positioning and Investment Thesis

Strategic and Financial Rational

- Asos will continue to operate as a separate business silo allowing Ralph Lauren the ability to maintain brand image while also gaining a new avenue in which to sell their products globally by means of e-commerce
- Strong international presence gained by the acquisition of Asos PLC and their distribution centers will allow Ralph Lauren to increase their market share outside of the United States
- Acquisition aligns well with Ralph Lauren's future aspirations for the upcoming years

Increased E-commerce Presence

- Ralph Lauren will be able to increase their e-commerce presence globally by acquiring Asos PLC and will be able to market to a demographic of customers that the luxury fashion industry has struggled to market to
- The acquired company will not become the only e-commerce site for Ralph Lauren but will give them an additional avenue in which to sell their products along with the products already being sold by Asos
- Asos e-commerce site targets millennials, ages 18-30, which is a demographic of people Ralph Lauren struggles to sell too

Geographical Reach

- Asos will increase Ralph Lauren's global reach and allow them to increase their market share globally
- Ralph Lauren will be able to use the acquired infrastructure to ship their products to a larger geographical area
- Ralph Lauren wants to increase international presence as they currently have approximately 67% of revenue coming from inside the United States

Possible Synergies

- The acquisition of Asos PLC will increase both companies financial performance for the shareholders
- Ralph Lauren will be able to eliminate or streamline redundant processes, resulting in significant cost reduction
- Consolidation of both companies HR departments will allow for a large cost reduction, but other than this consolidation since both companies will essentially be their own separate business silos we do not recommend the consolidation of marketing or other departments
# Discounted Cash Flow Analysis

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>£ 975,470.00</td>
<td>£ 1,150,788.00</td>
<td>£ 1,357,929.84</td>
<td>£ 1,629,515.81</td>
<td>£ 1,971,714.13</td>
<td>£ 2,425,208.38</td>
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<tr>
<td>% Growth</td>
<td>18%</td>
<td>18%</td>
<td>20%</td>
<td>21%</td>
<td>22%</td>
<td>23%</td>
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<tr>
<td><strong>Cost of Good Sold</strong></td>
<td>(£490,463.00)</td>
<td>(£575,394.00)</td>
<td>(£678,964.92)</td>
<td>(£814,757.90)</td>
<td>(£985,857.06)</td>
<td>(£1,212,604.19)</td>
</tr>
<tr>
<td>% Revenue</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Net Operating Revenue</strong></td>
<td>£485,007.00</td>
<td>£575,394.00</td>
<td>£678,964.92</td>
<td>£814,757.90</td>
<td>£985,857.06</td>
<td>£1,212,604.19</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>£62,262.00</td>
<td>£77,102.80</td>
<td>£90,981.30</td>
<td>£109,177.56</td>
<td>£132,104.85</td>
<td>£162,488.96</td>
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<tr>
<td>% Margin</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
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<td>7%</td>
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<tr>
<td><strong>D&amp;A</strong></td>
<td>(£15,361.00)</td>
<td>(£23,540.00)</td>
<td>(£36,644.11)</td>
<td>(£43,996.93)</td>
<td>(£53,236.28)</td>
<td>(£65,480.63)</td>
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<tr>
<td><strong>EBIT</strong></td>
<td>£46,901.00</td>
<td>£53,562.80</td>
<td>£54,317.19</td>
<td>£65,180.63</td>
<td>£78,868.57</td>
<td>£97,008.34</td>
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<tr>
<td>% Margin</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
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<tr>
<td><strong>Taxes</strong></td>
<td>(£10,313.00)</td>
<td>(£12,051.63)</td>
<td>(£12,221.37)</td>
<td>(£14,665.64)</td>
<td>(£17,745.43)</td>
<td>(£21,826.88)</td>
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<tr>
<td><strong>Net Profit</strong></td>
<td>£36,588.00</td>
<td>£41,511.17</td>
<td>£42,095.83</td>
<td>£50,514.99</td>
<td>£61,123.14</td>
<td>£75,181.46</td>
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<tr>
<td>% Margin</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
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<tr>
<td><strong>Plus D&amp;A</strong></td>
<td>£15,361.00</td>
<td>£23,540.00</td>
<td>£27,158.60</td>
<td>£32,590.32</td>
<td>£39,434.28</td>
<td>£48,504.17</td>
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<td>Less: Net Capital</td>
<td>(£17,700.00)</td>
<td>(£38,100.00)</td>
<td>(£44,811.68)</td>
<td>(£57,033.05)</td>
<td>(£72,953.42)</td>
<td>(£92,157.92)</td>
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<tr>
<td>Less: Capex</td>
<td>£15,217.33</td>
<td>£17,952.29</td>
<td>£21,183.71</td>
<td>£25,420.45</td>
<td>£30,758.74</td>
<td>£37,833.25</td>
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<tr>
<td><strong>Free Cash Flow</strong></td>
<td>£54,431.67</td>
<td>£85,198.87</td>
<td>£92,882.40</td>
<td>£114,717.91</td>
<td>£142,752.10</td>
<td>£178,010.29</td>
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<tr>
<td>Present FCF</td>
<td>£54,431.67</td>
<td>£85,198.87</td>
<td>£92,882.40</td>
<td>£114,717.91</td>
<td>£142,752.10</td>
<td>£178,010.29</td>
</tr>
<tr>
<td>Total PV of FCF</td>
<td>£385,213.98</td>
<td>£67,717.87</td>
<td>£83,637.51</td>
<td>£104,076.43</td>
<td>£129,782.16</td>
<td>£129,782.16</td>
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<tr>
<td><strong>WACC</strong></td>
<td>8.22%</td>
<td></td>
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<tr>
<td><strong>Enterprise Value</strong></td>
<td>£2,060,000.00</td>
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<td></td>
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<td></td>
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<tr>
<td><strong>EBITDA Multiple</strong></td>
<td>12.67x</td>
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<tr>
<td><strong>Implied Share Price</strong></td>
<td>£26.93</td>
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## Comparable Companies Analysis

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<tr>
<th></th>
<th>Name</th>
<th>Stock Price</th>
<th>%52 Wk H</th>
<th>P/E Ratio</th>
<th>Enterprise Value</th>
<th>Debt/Equity</th>
<th>Net Income Margin</th>
<th>EV/Revenue</th>
<th>EV/EBITDA</th>
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<tr>
<td></td>
<td>Asos</td>
<td>£26.05</td>
<td>-16.30%</td>
<td>58.76</td>
<td>£2,600,000,000.00</td>
<td>-29.68%</td>
<td>4.66%</td>
<td>2.06x</td>
<td>23.8x</td>
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<tr>
<td></td>
<td>Boohoo</td>
<td>£0.40</td>
<td>70.97%</td>
<td>53.00</td>
<td>£384,680,000.00</td>
<td>0.03%</td>
<td>7.56%</td>
<td>1.45x</td>
<td>16.6x</td>
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<td></td>
<td>Blue Nile</td>
<td>£21.47</td>
<td>-0.64%</td>
<td>35.48</td>
<td>£225,595,500.00</td>
<td>-285.77%</td>
<td>3.13%</td>
<td>.69x</td>
<td>18.23x</td>
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<td></td>
<td>Guess</td>
<td>£12.41</td>
<td>-2.06%</td>
<td>16.21</td>
<td>£786,600,000.00</td>
<td>0.65%</td>
<td>4.28%</td>
<td>.52x</td>
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<td><strong>MEAN</strong></td>
<td></td>
<td>£15.08</td>
<td>22.50%</td>
<td>40.86</td>
<td>£999,218,875.00</td>
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<td><strong>MEDIAN</strong></td>
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<td>£16.94</td>
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<td><strong>HIGH</strong></td>
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<td>£26.05</td>
<td>70.97%</td>
<td>58.76</td>
<td>£2,600,000,000.00</td>
<td>0.65%</td>
<td>7.56%</td>
<td>2.06x</td>
<td>23.8x</td>
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<td><strong>LOW</strong></td>
<td></td>
<td>£0.40</td>
<td>-16.30%</td>
<td>16.21</td>
<td>£225,595,500.00</td>
<td>-285.77%</td>
<td>3.13%</td>
<td>.52x</td>
<td>5.54x</td>
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<table>
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<tr>
<th></th>
<th>FY15 EBITDA</th>
<th>EV/EBITDA Multiple</th>
<th>Enterprise Value</th>
<th>Net Debt</th>
<th>Shares Outstanding</th>
<th>Implied Share Value</th>
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<tr>
<td><strong>MEAN</strong></td>
<td>76.7</td>
<td>*</td>
<td>16.04</td>
<td>1230.268</td>
<td>(64.80)</td>
<td>83.43</td>
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<tr>
<td><strong>MEDIAN</strong></td>
<td>76.7</td>
<td>17.42</td>
<td>1336.114</td>
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### Precedent Transactions Analysis

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<tr>
<th>Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>Type</th>
<th>Enterprise Value</th>
<th>EBITDA</th>
<th>EV/EBITDA</th>
<th>Premium</th>
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<tbody>
<tr>
<td>22-Jul-09</td>
<td>Zappos</td>
<td>Amazon</td>
<td>Cash/Stock</td>
<td>$920,000,000.00</td>
<td>$48,312,000.00</td>
<td>19.11x</td>
<td>1%</td>
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<td>17-Aug-15</td>
<td>Zulily</td>
<td>Liberty Interactive</td>
<td>Stock</td>
<td>$1,913,000,000.00</td>
<td>$28,173,784.00</td>
<td>21.42x</td>
<td>41%</td>
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<tr>
<td>24-Aug-09</td>
<td>Charlotte Russe LLC</td>
<td>Advent International</td>
<td>Stock</td>
<td>$103,000,000.00</td>
<td>$72,904,972.00</td>
<td>8.42x</td>
<td>20%</td>
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<tr>
<td>11-Mar-14</td>
<td>Jos A. Bank</td>
<td>Men’s Warehouse</td>
<td>Stock</td>
<td>$1,200,000,000.00</td>
<td>$143,484,000.00</td>
<td>11.16x</td>
<td>32%</td>
</tr>
<tr>
<td>MEAN</td>
<td></td>
<td></td>
<td></td>
<td>$1,060,000,000.00</td>
<td>$60,608,486.00</td>
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<td>26%</td>
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<td>MEDIAN</td>
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<td></td>
<td></td>
<td>$1,060,000,000.00</td>
<td>$60,608,486.00</td>
<td>15.14x</td>
<td>26%</td>
</tr>
<tr>
<td>HIGH</td>
<td></td>
<td></td>
<td></td>
<td>$1,913,000,000.00</td>
<td>$143,484,000.00</td>
<td>21.42x</td>
<td>56%</td>
</tr>
<tr>
<td>LOW</td>
<td></td>
<td></td>
<td></td>
<td>$103,000,000.00</td>
<td>$28,173,784.00</td>
<td>8.42x</td>
<td>1%</td>
</tr>
</tbody>
</table>

### Precedent Companies Analysis

<table>
<thead>
<tr>
<th></th>
<th>Stock</th>
<th>Premium</th>
<th>Implied Price Per Share</th>
<th>Shares Outstanding</th>
<th>Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEAN</td>
<td>£26.05</td>
<td>23.47%</td>
<td>£32.16</td>
<td>83,430,000</td>
<td>£2,772,378,900.00</td>
</tr>
<tr>
<td>MEDIAN</td>
<td>£26.05</td>
<td>25.99%</td>
<td>£34.71</td>
<td>83,430,000</td>
<td>£2,895,990,873.75</td>
</tr>
</tbody>
</table>
Appendix
Millennials Increased Buying Power

- Millennials are projected to become the largest demographic of consumers by 2020
  - Eighty billion millennials
  - Fourth of entire population
  - $200 billion annual buying power in the US, $8 trillion annual income globally
  - 86% of the are living in emerging markets
- E-commerce retail net revenue is projected to increase for the foreseeable future do millennial buying power
  - 60% use their computer to make purchases
  - 40% of males and 33% of females form this generation say they would make all of their purchases online if they could

Projected Online Sales Growth 2015 to 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Average</th>
<th>Millennial</th>
<th>Age 55+</th>
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</thead>
<tbody>
<tr>
<td>Apparel and Accessories</td>
<td>14.00%</td>
<td>17.20%</td>
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</tr>
<tr>
<td>Books/ Music/ Videos</td>
<td>15.30%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Computer and Consumer Electronics</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Technology Usage by Generation

- Research Products Online
- Purchase Products Online
- View Advertising on a Device
- Use Social Media on a Device
- Access Coupon to Redeem in a Store

Millennial Preferences

- 50% of millennial men and 70% of millennial women consider shopping a form of entertainment
- 37% of millennials claim to distrust big business
- 45% of millennials spend more than an hour a day looking at retail-oriented websites
- They spend an average of 17.4 hours per week online