

# Food & Restaurant Marketing



## DININGS L-SHAPED CHANGE

How millennials have changed dining habits

## COMPETING WITH THE REFRIGERATOR

## UNDERSTANDING THE MILLENNIAL DECLINE IN DINING OUT

---

### THE STUDY

The Millennial audience has become the major focus for multi-unit dining organizations and rightfully so. With 87 Million people, aged 18-34, this audience is larger than the Baby Boomer generation and three times the size of Generation X. They are approaching \$600 billion in annual spending by some estimations.\* Yet dining occasions have shrunk among this group by estimates as high as 20%.

In June 2014, Food & Restaurant Marketing conducted a national survey of millennials to better understand their attitudes toward dining out and generate forecasts of future behavior.

As is plain, the audience is big, and growing in influence as the youngest of this segment matures into adult shopping, dining and spending behaviors. The demographics provide little value besides fundamental media targeting. Information on market size does little besides outline the opportunity and risk of misunderstanding the motivations of this group. The goal of this research was to better understand the reasons this group has slowed their dining occasions and the process they conduct as they consider dining.

Millennials, especially the younger half of the demographic, came of age during the great recession. As they entered the job market, they experienced hard financial times that limited earning opportunity for many. College graduates suffered high unemployment post-graduation and a large number have been forced to move back in with their parents. In fact, 36% of all Millennials live with their parents, 45% are unemployed, 18% have a college degree.\*

## OCCASION FREQUENCY HAS WANED

We asked our survey audience about their dining habits and got a clear picture. This will be an L-shaped recovery for the dining industry. 53% of respondents are dining out as often as last year (2013). In the follow-up question, 68% said they expect to continue at this new, current level in 2015. They didn't foresee dining out more often.

Dining has always been an incredibly competitive industry. But fighting for a static pool of occasions means that the competition will be getting even tougher. And up until now, restaurants and dining brands have had a sense of their competitive position versus local adversaries or brands offering similar cuisine, menu and value propositions.

It is proven that millennials are staying home to eat more often and planning to prepare more meals. What this means for restaurants is that their toughest competition is now the refrigerator.

## THE POWER OF THE FRIDGE

Coming out of the recession, millennials have found ways to make their home as entertaining as possible. The fridge represents a considerable challenge to restaurants because it exists in the comfort of their home. Consumers have access to technology and entertainment on demand, designed around their taste and whims.

This also applies to the meal itself. The consumer has an infinite potential menu and can customize that instantly. Popcorn can be added as an appetizer while pasta is boiling. Their favorite beverage is available and no server asks if an alternative product will do.

They also expressed that staying home represents a victory over spending. There is value in making a meal, even a frozen or prepared meal, which they see as saving when compared to the bill at a fast-casual or casual dining location.

Besides the recession-based focus on spending, this is not all new. The refrigerator has always been a challenge for brands. More importantly, the fridge is a *symbol* that millennials now compare things head-to-head that haven't been compared across traditional marketing lines in the past.

They may choose staying home to play a game console or stream a movie and consider the entertainment options at nearby restaurants as a comparison. They are also factoring the costs of that streaming entertainment as competition to the restaurant meal.

At one point in time, we talked about share of wallet, or share of stomach when discussing how restaurant brands could market to claim their share. Now we refer to "share of experience." What—besides the food—does the restaurant offer that can win over a comparison to other destinations, including the couch?

---

## LET'S GET STARTED

Dozens of campaigns and a plethora of sales metrics that we collect for each of our clients fail to tell the whole story. We can see glimpses of behaviors for a pre-set group of consumers as responses to direct stimulus such as display advertising, or promotional menu items and generate a customer's journey specific to that sales period with relative certainty. We sought a deeper understanding of the decision-making process that occurred beyond a campaign level.

We began our research with one simple question: How do millennials decide what and where to eat? Simple enough, but we discovered this is difficult for millennials to explain.

The results of our survey will be presented in three sections:

**THE DECISION** – What factors shape the decision and when?

**THE EXPERIENCE** – How does *this* visit earn a place in the future consideration set?

**THE REALITY** – Real-world recommendations based on our survey.

# THE DECISION

## SO, WHO DECIDES?

75% of millennial respondents said “I decide,” meaning they alone were responsible for the decision of what and where to have dinner. This was consistent for both males and females polled. Going one level deeper, only 44% said their partner or spouse is important to the decision.

For context, we asked an audience of Generation X and Boomers as well. Only 65% answered, “I decide,” a full 10% fewer, and 60% said their partner or spouse is important to the decision.

Obviously, the millennials we polled place a higher value on their own opinion than their older counterparts.

## MILLENNIAL MINDSET

Some refer to millennials as digital natives. They have grown up with tools for self-expression that Boomers had never dreamed of. Products, companies and entire industries have sprouted up around their understanding of technology, crafting even slicker user interfaces and even simpler experiences.

The technology and marketing world has trained them to believe that everything should be user-centric. And they believe this.

Look at the post dotcom brands in the current technology age that have become dominant. Amazon, Uber, Venmo. Each of these companies strives to serve absolutely seamless ways for consumers to engage and accomplish their desired task.

When they encounter bumps in a user interface, they leave for a seamless experience provided by a competitor. We refer to these bumps or flaws in user experience as ‘friction.’ Millennial consumers despise friction. And this attitude now transcends technology and applies to brands.

According to a study published by Adroit Digital,\* 58% of millennials said they expect to engage with a company whenever they choose and via whichever channel they elect. If the consumer reaches out with a tweet, they expect a tweet back, not an email. 44% want more open dialogue with brands, and 52% have increased respect for brands that are willing to change based on consumer opinion.

Understanding this mindset is critical to understanding the expectations placed on a restaurant’s website, menu and service offering. Similarly, when they experience friction they will likely leave for a simpler option. The user-centric brands wooing them have taught millennials that they are always deserving of a great experience.

## HOW DO THEY DECIDE?

The millennials we polled go through a long decision checklist quickly and subconsciously. They factor in type of food, location, past experience, timing, their party and mood among other factors. Being less likely to dine out, they want to maximize each occasion for quality. They cannot afford to have a bad experience. In the absence of a clearly great option, they will opt for the refrigerator.

The initial decision is whether to stay in or go out at all. They rated a list of factors for us on this single decision point in our poll:

### TOP FACTORS FOR DINING AT HOME OR IN A RESTAURANT:

Budget: 71%

Craving: 68%

Special Celebration: 66%

What's in the Fridge: 64%

As you can see, these top four factors are out of the control of restaurant brands. A restaurant can offer a special, discount or promotional item, but they cannot control the discretionary income of their audience on an individual level. Restaurants can celebrate holidays, but cannot create a personal occasion for customers. And as we've discussed, there is no way to compete with the contents of the refrigerators of millennials.

Millennials believe they are always deserving of a great experience, and in celebrating special events they excel when compared to their peers. One interesting statistic from our study is very telling. We asked what types of events qualify as reasons to dine out, and they listed the usual; birthdays, anniversary, special occasions. But almost twice as often as Boomer and Generation X respondents they cited "Having a Good Day at Work." And they cited "Having a Bad Day at Work" only 30% as often as the other groups.

We deduced that the polled millennials look to extend positive, 'good days' more than look for ways to cheer up after a 'bad day.' In the past, that pick-me-up, you deserve a break today message has helped get consumers to a restaurant. It seems millennials are less interested to engage based on that approach.

## WHERE TO DINE?

We are oversimplifying the process to provide clarity of the decision. In practice, “home” may not be considered until the last minute. But, once millennials decide to venture away from the refrigerator they continue down the funnel to help choose the best location for their meal.

We asked them to select factors that help them decide.

### TOP INFLUENCERS OF RESTAURANT DESTINATION:

Past Experience: 67%

Price: 57%

Type of Food: 57%

Service Quality: 57%

Location: 50%

Friendly Staff: 48%

Again, they indicated that they believe they are always deserving of a great experience. More critical for marketers, they base future expectations on past experiences with the brand. A restaurant may lure them in with an offer, but if they encounter any friction, they carry that weight with them into the next decision period.

This means that delivering great service, and meeting food expectations is critical to winning millennial loyalty. They will return if they have a memorable, shareworthy experience.

Note that price was also high on the list, reminding us that cost is always on their mind and price is always an important consideration.

We also noted that factors like “Chef Reputation” (17%) and “Local Grown Food” (16%) were not demonstrably important to millennials we surveyed. Despite the trendiness of both, our respondents suggested these were not critical factors. Of course, individual restaurants and markets vary greatly. Every restaurant can be unique in its presentation of each factor.

## HOW LONG DO THEY DELIBERATE?

When asked how long the entire decision making process for dining is, the response was “Not very long.” 52% of respondents said they make the decision in six hours or less, including 29% who said they take less than an hour. And almost a fifth of those polled (17%) said they simply “Do Not Plan.”

Not planning means they make the entire decision subconsciously and without voicing factors for their decision at all. For restaurant marketers, that may be a scary proposition. To us, it represents an opportunity.

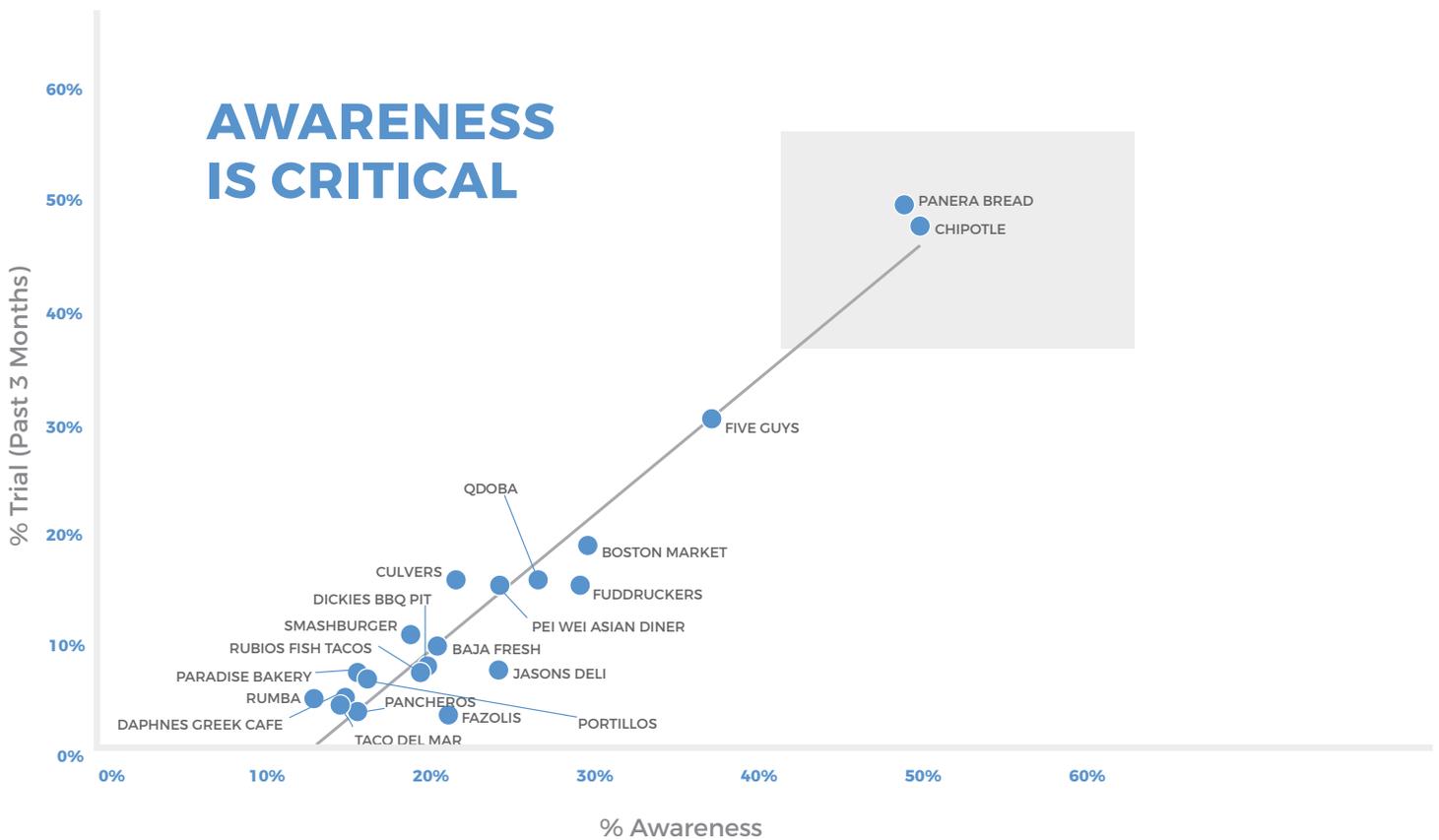
Six hours is not a very long time. But it provides a targeted window in which brands can attempt to communicate with millennials who may be in the decision process. Using media dayparting, and location-based mobile and digital campaigns, brands can reach people with extremely relevant messages at precisely the right time.

This might mean communicating a unique offer or feature of a local restaurant, versus a brand message during this six-hour period before “dinner time.” And this can be executed with display, social or app-based communications. We have had success communicating through the same technology millennials love and widely use, in a way that is comfortable and more welcomed. Messaging when it is on a person’s mind is always considered more useful and meaningful.

## AWARENESS IS THE KEY

Because the decision comes and goes so quickly, awareness is critical. A consumer cannot consider what isn't known; and as our poll revealed, they put a lot of weight on past experience and a lot of pressure on a positive predicted experience. They are willing to explore, but are not likely to engage in a complex search to find new choices.

We asked questions to reveal the relationship between brand awareness and their favorite restaurant brands. It became immediately clear that there was a very strong correlation between brands highest in awareness and ranked as "favorite" in both fast-casual and casual dining categories.



Awareness is critical, but doesn't have to mean national or regional awareness. At Food & Restaurant Marketing we consult with brands airing television campaigns to influence national mass audiences. But we also create geo-based campaigns to drive immediate action on a local store level. Using relevant, focused campaigns, brands today can create awareness with a local target.

# THE EXPERIENCE

## SHORTLISTING

The survey respondents told us loud and clear that they feel past experience is an important driver of future selection of a restaurant. In order to understand how they rate general restaurant experience overall, we conducted a need gap analysis of both fast-casual and casual dining categories. We asked consumers to rate the performance of their top three favorite brands in a variety of factors relevant to each category.

Surprisingly, the millennial response demonstrated that there is no wide gap in needs or expectations. Among their favorite restaurant chains, respondents feel that the needs most important to them are being met on a satisfactory level with only minor exceptions. Of course, scores can always improve, but this analysis tells us that they are happy with what their current choices provide.

This leads us to a phenomenon we call “Shortlisting”. When basic needs are being satisfied, consumers are less likely to seek new options. This is especially true of the millennial audience; who have told us that “Past Experience” is their most common and important deciding factor. 52% of respondents told us they have a small list of restaurants that they repeatedly consider.

Only 8% of those surveyed said they like to try new places and rarely go to the same place twice. The contrapositive of that statistic is that the other 92% are comfortable with repeating visits to a known restaurant. When coupled with the need gap analysis, this becomes a double-edged sword for brands.

## SHORTLIST = LOYALTY

The consumer awareness of the shortlist of restaurants proves that loyalty exists among millennials. There have been articles written suggesting that this audience has a mercenary attitude towards brands, and maybe this is true in some cases. But they are seeking a repeatable experience.

Brands can leverage this loyalty by providing a consistent base-level experience. But to keep millennial consumers coming back they must find ways to make the customer experience as personal as possible. Make them feel like valued customers and not numbers (consider replacing numbers w/ “traffic counts”). Create menu items and engagement programs that make customers feel that the experience at your restaurant was meaningful and memorable, and not a paint-by-numbers dinner out. Lastly, inspire them and give them ways to share the experience either in-unit or using social media.

We challenge our brand partners to seek out points of friction in their locations and propose ways to improve the experience. This means bringing marketing, operations and IT together and asking them to work in a whole new way. For legacy brands, it is challenging to have them consider their experience as a single system and not by the departments that are responsible for each function. But it is critical that the millennial consumer perceive that the dining experience is seamless.

As an operator, when restaurants are rigid, millennials are going to punish them. They must offer simple ways to customize the menu, the way they pay and the experience overall. When a millennial customer is told they cannot split the check, they will not come back. The consumer has been trained that the simplest solution *for them* should always be the default. A discovery of the opposite puts you at odds with their values.

When they present a coupon and are told this location cannot honor it, they are not coming back. From the consumer perspective, if the offer made its way to them the brand owes it to them to honor that offer. Executing on these simple things, and finding small ways to respond “Yes!” to millennial requests are forms of surprise and delight, which build ongoing relationships and keeps your brand on the shortlist. Despite proclamations that television is dead, millennials still ‘watch.’ They just usually have another connected device present while the television is on. In comparison of marketing periods with and without television, we have witnessed its effectiveness as part of the plan. In a recent television campaign analyzed by Food & Restaurant Marketing, we found a 9.5% average increase in sales versus comparable periods without television. Along with the sales increase we saw a lift of 6.8% in average traffic to each location.

A recent MillwardBrown study\* outlined television usage by millennials; specifically detailing how they consume television alongside other devices. According to the study, millennials consume roughly 2.5 hours each of television and mobile. 41% of that total time is simultaneous usage. This is an opportunity for brands thinking about marketing in an integrated way.

Presenting complementary messages, appropriate for each media will give millennials full context and allow them to engage on their terms.

# THE REALITY

## CRAVING

As stated earlier, craving is a key driver for millennials in their initial decision making process. It ranked second only to budget.

In an open ended question, we asked respondents to identify the reasons they felt they chose a particular restaurant. Craving was most frequently cited. Some verbatims were:

- o *By the type of cuisine I had a hunger for*
- o *Based on what I was craving and what I hadn't had for a while*
- o *Craving for a specific food*
- o *Craved a good burger*
- o *I just think of what I'm hungry for*
- o *I knew I wanted something guilty so we immediately went to ideas of greasy burgers and picked a place we liked from there*

These quotes tell us how they think of cravings, and give us an idea how to best capitalize on craving. Use imagery, especially video that truly showcases the food. An old advertising adage is “show the food” but we believe when targeting millennials, brands must show the food *off*. Many times, brands are conservative about the way the product is depicted, but we encourage our brand partners to celebrate the food for what their best customers love about it. If it is a messy burger, don't be afraid to show it off in all its messy glory. *That* is what they crave.

When attempting to market against craving, consider your promotional strategy. Create promotional menu items and LTOs consistent with the brand offering and core value proposition. If a brand is a 20 year old family pizza restaurant, it will be challenging to win new consumers, or current consumers with something outside of the pizza or Italian categories. Relevant LTOs can help create news and give customers a reason to come back in.

Innovation within the menu can reinforce craving and the brand. Remember, 8% of millennials want to always try new places, but 70% of those with a shortlist explore new items at their favorite places. Brands do not always need to pull all new audiences in, but growing occasions from customers who already like them.

## INTERNET REVIEW SITES AND YOUR APPS

Our team was curious how the digital sophistication of millennials applied to the dining decision and brand loyalty. We inquired about their usage of technology and got surprising responses. Their numbers were high, relative to Boomer and Generation X respondents of the same questions, but still surprisingly low.

Only 24% of millennial respondents said they use “Review sites” such as Yelp for help with their dining decision. We base this low number on their reliance on “Past Experience” and the Shortlist. They are satisfied with the offering from their favorite brands so they don’t work very hard to search for new options.

We asked if they used restaurant brand-specific apps. Only 9% do. That is only two points higher than Boomers and Generation X respondents, at 7%. Consider friction in these apps. Many branded apps are glorified store finders and provide limited additional value to the consumer.

We advise brands to consider their best customers when developing an app and build it based on problems they encounter. As with all technology, put the customer experience first, to help define the reason the app should exist. Increased utility will drive adoption of the app and along with it, occasions.

Incorporate pre-order and payment features that speed up those parts of the experience. Unlock hidden menu items for app users only. Make it personal and meaningful. The best apps make loyalty simpler and reduce friction.

---

## **SUMMARY**

As we have seen, entering the workforce during the Great Recession has had an impact on many of the millennials we polled. Price sensitivity is a developed trait that has stayed with them.

Additionally, technology and marketing have developed around this cohort, training them to believe they are above friction-filled experiences and are always worthy of great ones.

At Santy, we work with our clients to uncover ways in which they could streamline their business to remove friction for their best customers and make conducting transactions simpler.

## **ABOUT FOOD & RESTAURANT MARKETING**

We work to understand what drives trends in the CPG and restaurant industries to help brands better plan for their future.

# #diningdecline

For more information on the Millennial mindset,  
in the CPG and Grocery space visit

**[foodandrestaurantmarketing.com](http://foodandrestaurantmarketing.com)**

CONTACT US:

**[info@foodandrestaurantmarketing.com](mailto:info@foodandrestaurantmarketing.com) | 480-710-4243**