A **Food & Restaurant Marketing** Whitepaper

ARE GROCERY AND CPG KEEPING UP WITH NEXT GEN SHOPPERS?

Understanding the differences in Millennial shopping habits

#inthecart

THE STUDY

The Millennial audience has become the major focus for marketers across all business categories. 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*. Some estimates have them spending as much as $65 billion on consumer packaged goods (CPG) over the next decade.*

It's clear that the Millennial audience is big, and growing in influence as the younger segment matures into adult shopping and spending behaviors. But the demographics alone offer only a basic media targeting background. Much more important is the mindset of the individuals within this group.

In November 2014, Food & Restaurant Marketing conducted a national survey of millennials to better understand their attitudes and motivations that shape their decisions regarding grocery shopping and choosing consumer packaged goods. The goal of this research was to better understand how this powerful emerging consumer group approaches the regular task of shopping for groceries.

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. 36% of all Millennials live with their parents, 45% are unemployed, 18% have a college degree**

They have learned how to make do with less discretionary income, and fewer extravagant luxuries (save their technology.) As the economy has rebounded, unemployment levels have receded but attitudes haven't exactly changed. The millennials we surveyed still behaved with an eye on budget and tools for finding the best deal. They are extremely price sensitive.

**Pew Research Center*

***http://www.mediapost.com/publications/article/238211/getting-millennials-to-buy-cpgs-bring-on-the-bogo.html*

THE GENESIS

In our past study, Competing with the Refrigerator: Understanding the Millennial Decline in Dining Out, we asked Millennial consumers nationwide about their attitudes on choosing restaurants. In the study we identified a trend in which this group is choosing to stay at home for dinner more and more often. They told us that the control of the menu and environment along with budgetary factors had them skipping more dinners out.

It seems the consumer has changed, but grocery stores and distribution of consumer packaged goods haven't undergone the revolution which has occurred in many other industries.

If their refrigerator was winning, we wanted to better understand what process they were taking to fill it, and their pantries. We wanted to understand how the Millennial mindset translates to the more traditional setting of the grocery store. The basis for the study covered here is one simple question: *How do Millennials grocery shop?*

We conducted a self-administered survey of Millennials from across the United States to get a better understanding of the attitudes and motivations about grocery shopping. The study begins with framing questions about wider habits and then moves into their behaviors inside the aisles of the traditional supermarket.

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

THE PLAN – How do Millennials prepare for a trip to the grocery store? Past research suggests they aren't planners at all.

THE CART – How does their behavior live up to their planned activities once they get to the store?

THE REALITY – Supporting information from other sources and real-world recommendations based on our survey.

THE PLAN

LOCATION, LOCATION, LOCATION?

The Millennial experience with the grocery store takes place, in great part, beyond the grocery store. The millennials we surveyed use all available formats to do their shopping.

When asked about the types of stores at which they shop for grocery items, they indicated a lack of loyalty to traditional grocery stores, though the vast majority (91%) did tell us that they use those outlets. 60% selected 'superstores' like Costco or Walmart. This flies in the face of anecdotal information that Millennials are more interested in local and proprietor-owned businesses. Only 9% of respondents selected the category comprised of local, specialty and healthy markets. Almost no respondents were loyal to any given format for grocery shopping, instead demonstrating a preference for using each format for its specific benefit to their lifestyle.

11% of those surveyed selected 'convenience stores.' This finding is consistent with studies we had read prior to launching ours. In a 2014 study published by Barkley*, the author found that Millennials were 109% more likely to shop at c-stores than members of older generations. Unlike that study, ours indicated less likelihood to use specialty stores for their grocery shopping.

Convenience is an extremely important factor for Millennial consumers in every facet of life; and, grocery shopping is no exception. According to Convenience Store News* 15% of Millennial c-store customers visit one daily, 26% make a weekly visit and 64% said they visit the same c-store location on each visit, demonstrating that loyalty is borne from a convenience based routine. We anticipate an increase in visits and in frequency among key segments as convenience becomes more engrained in their lifestyles and as consumption habits are developed.

THE CLOCK IS TICKING

The majority (48%) of Millennial shoppers visit grocery stores for their major trips on Saturday and Sunday, as we expected. Our focus is on the surprising size of the next largest group (34%) which makes their trips at the beginning of the week, from Monday to Wednesday.

Most of the CPG marketing volume is targeted at a weekend planning and shopping mindset aimed at reaching the former group. We see an opportunity to reach that second group with messages that may have to compete with far less noise and be more impactful. Building a test campaign during this period of blue ocean with a smaller, but significant, group may be a way to gain some separation from competitors. Savvy marketers in the CPG and grocery space may also seek ways to capitalize on Millennial willingness to make visits early in the week by creating programs to win more shoppers during that time, perhaps with special offers or promotions.

Once we established the most common shopping days of the week, we inquired about the length of the average trip. It doesn't last long. An overwhelming majority of 71% complete their grocery store visit in an hour or less. In this time, the average consumer is bombarded with messaging, stimulus and decisions that must be made. They are moving quickly and are mission oriented. This means that the chance of a consumer serendipitously finding a new product is likely low without some help, especially considering they may not walk every aisle. Consumer Packaged Goods brands have a very small window in which to stand out during the shopping trip itself.

The quick nature of most shopping trips speaks again to the importance of convenience. In many cases, shoppers seek ways to make the trip faster and more efficient while the brands with revenue at stake seek just the opposite. How can grocers and marketers extend the experience and add opportunities for product exploration? And how susceptible to suggestion are consumers when they get to the grocery store?

THE LIST

There have been multiple reports on Millennials in relation to their lack of planning and forecasting. In Food & Restaurant Marketing's study on Millennial Dining Habits, we found that they make restaurant decisions decisions subconsciously and extremely quickly. We found that these consumers keep a shortlist of restaurants in their mind, which make up their primary consideration set. They told us they rarely explore options beyond that list, sometimes never being aware of deciding where they would eat at all.

In relation to grocery shopping it seems they have a different approach. 98% of respondents prepare for their shopping trip by preparing a list. 48% told us they 'always make a list' and another 50% said they 'sometimes' do. We attribute the shortlisting behavior discovered in our previous study to this half of shoppers, assuming they have key items on subconscious lists made up of regular items, which they frequently purchase.

Still, only 2% of shoppers make it to the grocery store without a list and potentially without a plan. Of the 98% of respondents who said they make a list, 38% make the list on the day of their store visit and 80% of this group makes the list within three hours of their trip. This is consistent with our dining finding, that they take a last minute approach to their planning when making one. In this case, they do plan.

Their awareness of list-making behavior is only the first step. Once made, they tend to follow that list. 49% of respondents told us they buy 'all' the items on the list; and, another 49% said they buy 'most' of the listed items. They're making a plan and applying discipline with regard to that plan. And the list isn't the only clue that they are pre-planning their grocery purchases.

Millennials also told us that they are listing and buying items specifically for meals they have planned. Almost half (48%) of all married Millennials polled identified this behavior along with 29% of singles. Only 6% of the married respondents said they rarely do this. So we are seeing the demonstration of list making with a purpose, as opposed to refilling an inventory of basic items.

THE CART

What happens when they make it to the grocery store, list in hand? How closely do they *really* stick to the list? We asked more questions about the list and how it translates to the shopping experience to better understand.

Almost half (45%) of those in our survey claimed to make a regular list of 10-19 items. Only a very small proportion went to the store with a big list; 8% said they have a regular list of 30 items or more. Our expectation, based on their assertion that they stick to the list, was that the amount of items purchased collectively would closely mirror the amount of items on the list.

But more than three times that (25%) told us they purchase 30 items or more. Remember, the vast majority of our sample already informed us that they stick very closely to their shopping lists and buy most or all of the items on it. This larger number of items presumes then, that they buy everything on their list and more. These items were initially assumed to be impulse items.

When asked about impulse buys, however they told a different story. 65% of respondents told us they buy only 1-4 impulse items per trip. The number of respondents admitting to buy 10 or more items impulsively was under 10%.

Consider the behavior being demonstrated here. There is a gap occurring when the shopper moves from the planning phase to the shopping phase; or from the list to the cart. At the outset they are making a list and intending to be disciplined. But they then acknowledge that once in the store, their purchases out pace their intents. They also tell us that they don't consider those additional items to be purchased impulsively.

The more items they purchase it seems, the more items they add to the trip. The goal of grocery and CPG brands is to get them to use the cart, and not the basket. These purchases are opportunistic. The shopper is creating lists of items based on recipes, items on which they will execute upcoming meals. As they purchase core items like proteins or vegetables, they will see opportunities for extending the usefulness of each item.

WHAT GOES IN THE CART?

Understanding how they plan, and how much they purchase on their average grocery trip. The next question is 'what sort of items do they purchase?' The respondents in our survey told us they are happy to buy store brand items in large number. 96% of Millennials we polled said they include store brands in their regular shopping trip.

This flies in the face of past writing that suggests a near obsession with status and branded items by Millennials. Perhaps they feel the items in their grocery cart are less visible, and act less as signifiers of their personal brands versus other consumer categories.

In a 2012 article* by Barkley, 60% of Millennial primary grocery shoppers believe that 'store brand or other private label products' are just as good as brand name products. 56% said they would gladly switch brands to use cents off coupons in that same study. It takes very little to get Millennials to make that switch to store brands. Our study returned even higher numbers.

**Millennial Grocery Shoppers: Meet Your Newest Consumer, Barkley 2012*

When challenged to address what factors drive them to leave their preferred brand for a store brand, only 4% said they are not willing to try a store brand. When asked about loyalty in general, we inquired about what makes them leave one brand for another. 85% of Millennials told us they will change brands based on price. Roughly 60% said they will change based on quality. Ingredients was the third most common response, cited by 40% of respondents.

Price, quality and ingredients. Those three components make up an estimation of value when considered together by a consumer. Millennial consumers place an emphasis on price, but also on value. Behaviors related to this are based on their coming of age during the economic downturn. They are willing to make tradeoffs in key areas of their lives and spending habits as long as they feel they can get a benefit or upgraded experience elsewhere.

COMPROMISE AND BRANDS

The grocery store is one place in which Millennials are willing to make compromises, for certain. What other drivers motivate those compromises besides price, quality and ingredients? And how do store brands fare in comparisons shoppers are making during their trips?

An interesting trend emerged when Millennial consumers in our poll were asked which items they buy as a store brand. First, only 4% of respondents said “none,” meaning they would not purchase *any* store brands. For the remaining 96% the most common responses were Dairy (68%), Bakery (49%) and Paper goods (49%). Focusing on dairy, bakery and paper goods, we can see these are items which are not heavily branded or heavily advertised – especially to younger consumers.

The products within these categories have largely built less affinity and loyalty with Millennial consumers and are the most commonly traded out.

Next, they were asked what items they purchase in only brand name. The importance of the investment in branding was repeated. Soda (38%), Cereal (37%) and Snack food (33%) were most commonly reported.

These items are among the most heavily branded items (not including beer and alcohol which were each excluded because store brands are uncommon). Soda products have been promoting the meaning of their brand to the Millennials in our poll, their parents and grandparents going back a century. General Mills and Kellogg’s have been branding their cereals almost as heavily, and creating connections with people beyond price. This applies to Frito-Lay as well.

This is the initial demonstration of brand as a defense of compromise. They will pay more for Coke or Pepsi than the store brand, respondents confirmed. In response to the question “What items would you *never* buy as a store brand?” the top answer was ‘Soda’ (31%). Only 11% said ‘None,’ telling us nothing was off limits from future compromise.

A brand must convey both value and quality to gain loyalty with Millennials. This can be communicated through a powerful and meaningful brand, along with intelligent pricing and product differentiators. It is critical for a brand to be considered "List Worthy," as soda brands appear to be.

As they reported, Millennials make a list and try to stick to it. If a brand can earn a position on the list, they can become a regular purchase and avoid compromise. Brands must transcend being listed as a part of their product category to limit comparison at the shelf level and create true loyalty.

LOYALTY AND STORES

This loyalty and compromise applies to stores as well. Millennials told us that they aren't particularly loyal to a shopping format. Almost no one in our survey chose one format from the options we presented. But grocery stores were still dominant, with 91% selecting that format.

When asked if they actively use a grocery store loyalty card, 67% told us they do. This is an indication of the desired loyalty behavior grocers have been trying to shape, getting shoppers into the habit of using loyalty cards and hopefully gaining trust in- and positive sentiment for- the store brand.

In a separate question, 43% of respondents told us they have multiple grocery loyalty cards. They are using the loyalty program, but with multiple stores. Of the 67% of active card users, 60% use multiple cards. The more actively they participate in loyalty programs, the more likely they are to belong to programs of multiple store brands.

Millennials aren't necessarily using grocery loyalty programs for their long-term intended purpose. These savvy consumers are using them not for loyalty, but as another way to earn discounts, wherever it is most convenient for them.

THE REALITY

MILLENNIAL MINDSET

Millennials have grown up immersed in technology. Products, companies and entire industries have sprouted up around their understanding of technology, crafting even slicker user interfaces and even simpler experiences.

As users of technology, they are savvy and sophisticated. They have an innate understanding of how new technologies can be integrated into their daily lives. Layered on to this is a generation of software designers and marketers working to make each interaction simple.

Each generation of technology brands has yielded products like those from Amazon, Uber and Venmo, which have been refined to the simplest elements. Each of these companies strives to serve absolutely seamless ways for consumers to engage and accomplish their desired task.

When Millennials encounter bumps in a user interface, they leave for a simpler solution. 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 and real-world experiences such as shopping.

FRICTION AND GROCERY

Understanding this mindset is critical to surviving as a CPG or grocery brand. 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.

Because CPG brands don't own the brick and mortar location, they are at the mercy of their partners in retail to help provide information. No matter how well grocery employees are trained, they cannot be expected to become experts on every product in every aisle. Though they may be great ambassadors of the grocery brand, employees simply can't be relied on as ambassadors for every CPG brand.

For such brands, great effort needs to be placed on providing rich information to consumers – as easily accessible as possible – to make their specific brand the only solution to the problem and lower any boundaries for purchase.

Unfortunately, in most cases shelf space is out of the control of the brand. Beyond the Coke and Frito-Lays of the world, most simply can't own communications at the shelf level. This means the hard work and communication must be done before Millennials arrive, while they are still assembling their lists.

HOW DOES YOUR BRAND FIT?

But before we get too far from technology-based friction, we must consider the changes in the grocery shopping experience. Though being a fringe service, products like Instacart are beginning to take hold with consumers and changing the way they shop. There have been several attempts at software based grocery delivery since the dot com boom, but consumers now appear ready to subscribe.

Friction can relate to buying, subscribing, preparing or consuming. There are many questions about how brands need to prepare to be integrated into services like Instacart. Product and brand communication will be critical in those cases to make a brand the clear choice. The stakes will be higher because brands that make it to a shopper's virtual list in the app may remain there as a default as they use past lists for future orders.

Understanding how shoppers use these solutions and having a subscription strategy add a new complexity to marketing CPG products. Brands should consider doing individual user testing based on their own consumer demographics, to uncover opportunities beyond those the software maker is offering.

It will also be important for brands to understand how consumers who adopt such services layer in physical grocery or shopping trips. In the next 12-18 months, loyal delivery customers will have developed new attitudes and habits relating to grocery stores and CPG product consumption.

TOOLS

Beyond software services for delivery, we know that Millennials are a resourceful group. They employ software and apps to find new ways to solve problems. When asked which tools they used to find new products, they gave us some surprising answers. First, more than half of respondents (51%) told us they use 'None.' 'Mobile Apps,' 'Television' and 'Review Sites' were all cited by under 19% of respondents each.

Most selected was 'Search Engines' like Google. Our knowledge of how search has evolved over the past five years gives us more insight. Search strings are getting longer. Users of search engines are posting questions and looking for answers. Millennials aren't going to Google to search for a product. They are going to Google to search for a solution to a problem. If they haven't heard of a given brand or product, they may search "clean wood floors, stain, wine" or even "how do I clean a red wine stain off my wood floors?" instead of "Pine Sol" or "Mr. Clean."

That so many selected "None" confirms they don't consciously use tools to find new products. They don't believe they are looking for products. Instead, they need to be served solutions. The product is something they find passively. If the solution is a $1 bottle of white vinegar, that's great. If the best solution they find is one of the brands listed above, that's fine too. As long as it works. Or they will be back in the search box for the next option.

HOW THEY SAVE

When asked about which mediums influence purchase decision, we found that coupons are still influential. 'In-store Promotions' were cited most frequently (69%) followed by 'Print Ads' (31%). 'Television' was referenced by only 10% of respondents as an influential medium in regard to purchase.

A big area of focus for responses was the coupon category. They were selected by our respondents in order of their category maturity. 'Print Coupons' was first (37%), followed by 'Digital Coupons' (29%) with 'Mobile Coupons' (24.5%) last in the group. Interestingly, 'Digital Coupons' are poised to surpass 'Print Ads' but 'Print Coupons' are still the dominant format for discounts.

GIVE THEM IDEAS

Though television specifically ranked low in terms of reported purchase influence, we know that Millennial consumers are avid viewers of video. Digital video is one area in which CPG brands can capture attention, and give consumers ideas about using their product. According to a Google study* on YouTube video consumption, 68% of Millennial moms purchase products featured in the videos they watch.

But what about male Millennials. 69% of Millennial men watch branded food content on YouTube. 42% of Millennial dads will make special trips to the store to buy products they learn about in videos online.

Video is one place that brands can offer ideas such as recipes in which their product is the 'star.' Videos can be lit and shot to create craving or tied in to other popular products to capitalize on food trends. Most importantly video is a great way to make a brand memorable and get on the list by name, not just by category.

SUMMARY

Millennials, who came of age during the economic downturn of the early 2010's, are fickle when it comes to grocery shopping. They are savvy as a group, choosing the store format and products that best suits them for a given purpose or timeframe.

Though they exhibit product loyalty, they are willing to compromise on brand names for a small savings and almost always are open to replacing a brand with a store brand version of the same product. Of all mediums, they are most influenced by in-store promotions and coupons in any format.

Though price sensitive, they do make plans for their shopping trips, and approach their grocery shopping with a degree of discipline. They make a grocery list and work hard to follow their plan. The challenge for brands: find a way to earn a place on that list.

At Food & Restaurant Marketing, our work helps CPG brands uncover ways in which they can communicate with consumers to become an integral part of their shopping list.

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.

www.foodandrestaurantmarketing.com @FandRM

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

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