

Winning Millennial Loyalty

The 75 million Americans that make up the Millennial Generation are bringing new perspectives, tastes and expectations to their decisions about which restaurants to patronize. Nearly two-thirds (64%) of Millennials eat out at least once a week, and their purchasing power is projected to exceed that of Baby Boomers within two years.

The challenge for restaurant operators is to adapt and create the kind of dining experience that draws Millennials in the door and wins their loyalty. It is a challenge that already is being met by forward-looking food service enterprises.

By the Numbers

Definitions of the Millennial Generation vary, but most consider the birth year range for Millennials as encompassing most of the 1980s and 1990s, making them generally between 20 and 36 today. Earlier this year, Pew Research Center reported that the Millennials have surpassed the Baby Boomers as the nation's largest living generation. "The Millennial Generation is also the most ethnically diverse, driven by immigration trends," notes Cristin O'Hara, Managing Director of Bank of America Merrill Lynch's Restaurant Group.

Despite their youth, Millennials' disposable income is significant. In fact, the combined average annual entertainment and food expenditures of the 25- to 34-year-old age bracket is within \$1,000 of 55- to 64-year-olds.

"A majority of Millennials are living with low overhead expenses, which may account for some of this increased disposable income," observes Alexander Eng, Bank of America Merrill Lynch Business Banking Market Manager within the Pacific Southwest.

As a result, the combined incomes of Millennials will far outstrip their generational predecessors, Generation X, in less than a decade.

Millennial Traits

Research from a variety of sources yields the following set of common Millennial characteristics, with significant implications for restaurants. Millennials:

- Prize innovation. Thanks to the rapid pace of innovation during their lifetimes (primarily in the tech sector), this generation expects a steady parade of creative new offerings.
- Like variety. Innovation, including in food and drink products, results in more choices. Millennials don't latch on to one new offering and ignore the rest, but instead relish the opportunity to vary their consumption patterns.
- Value customization. The common admonition to "prepare food the way the customer wants it" is particularly important in addressing a common expectation among Millennials.

- Socialize constantly. In a survey of restaurant patrons asking reasons for their most recent restaurant meal, Millennials were considerably more apt than other generations to state they “wanted a place to gather with friends or family.” Another poll found them more “people-oriented” than Baby Boomers.
- Seek peer input. As creatures of the “consumer review economy” (think Yelp, Facebook “likes”), Millennials are more likely to agree with the statement, “I usually don’t make a major decision until I have discussed it with people I trust.”
- Harness mobile technology. Millennials are much more inclined to use mobile apps to make restaurant reservations (e.g., OpenTable), pay for meals and pay for delivery (e.g., Seamless and GrubHub).
- Prefer images. Millennials often respond better to menus featuring pictures of food items than they do to text-heavy listings.
- Focus on experiences. One survey found Millennials were far more inclined to spend money on an event (e.g., going to a restaurant) than on the purchase of a product.
- Seek “authenticity.” When polled about desired brand characteristics, 72% identified “authenticity” — far more than those who chose “brands that reflect my style” and a brand’s identification with support for charity.
- Love a deal. Millennials strive to find value deals, such as “buy one, get one free.” While they are not traditional paper coupon clippers, they like to take advantage of discount opportunities they can access online and through their mobile phones (e.g., via Groupon and LivingSocial).

Eating Artisans

Research on common Millennial traits and preferences more specific to the restaurant industry points to a generation of “eating artisans.”

“Millennials tend to be ‘foodies’ and a bit adventurous. They enjoy creativity and a variety of flavors as well as a great dining experience,” O’Hara says.

That doesn’t mean, however, that they have turned away from traditional fast food. In fact, Millennials frequent fast food establishments more than other dining categories, and more than other generations. That, O’Hara suggests, is due to the value and convenience it affords — also high priorities for Millennials.

The Millennial Generation, which values healthy living, puts a greater emphasis than other generations on “eating right” as a basic requirement for maintaining good health.

Millennials tend also to focus on a restaurant’s commitment to environmental sustainability, ethical treatment of the animals that the food comes from, and fair treatment of farmers and others in the supply chain. Along similar lines, vegetarian and vegan diets are more popular among Millennials than prior generations, prompting restaurants to offer more of such menu options.

Financial Requirements

For many restaurant enterprises, addressing the dining preferences of Millennials as their market dominance grows will necessitate increasing capital expenditures for remodeling and new equipment — both in the kitchen and for information technology for payment and order processing systems. Working capital needs may also be impacted. Establishing and maintaining a relationship with a financial institution with deep industry experience and expertise can help ensure that those needs are met.