

Millennials Drive Businesses and Big Brands to Adapt

A recent Research Now study in association with Todd Hale, LLC has highlighted key trends in behaviour trends among US millennials. What are the implications for businesses, both in the U.S. and in other markets?

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Millennials are members of the generation born between 1980 and 2000, and by the year 2020 they will outnumber baby boomers by 10 million in the U.S. They are considered, both by themselves and by others, to be at home with their diversity and uniqueness and more educated than prior generations.¹

By 2016, American millennials will have a greater financial spend than boomers over their life span. Over the next ten years, that spend is estimated at \$1.3 trillion in overall direct annual spending and \$60 billion in consumer packaged goods (CPGs) alone. Given the cultural and financial impact of millennials, companies are shifting their focus towards identifying the best outlets and avenues to reach them. While millennials are forming their grocery shopping habits, companies must adapt to gain millennial shopping market share.²

“ Millennials will account for one-third of all U.S. spending by 2020. ”

While the U.S. economy has struggled over the past five years, millennial spending has still grown by at least three percent per year.³

These statistics show how influential and important millennials are to businesses and brands. This generation is responsible for changing how people – not just those of their generation – shop and eat. Millennials are technologically savvy, constantly using tools like their mobile phones, and are always looking

1. Source: U.S. Census Bureau (2012 National Population Projections)

2. Source: The Millennials Are Coming (PLMA Consumer Research, 2014)

3. Source: The Millennials Are Coming (PLMA Consumer Research, 2014)

4. Source: <http://www.foodnavigator-usa.com/Business/Heinz-New-products-will-target-low-income-shoppers>



for the next tool or app to help them make decisions when grocery shopping. Companies hoping to reach this generation must be willing to embrace technology in order to stay relevant as millennial buying power increases.

Adapting to Millennials' Habits

Companies understand they must adapt to the purchasing habits and behaviour of the millennial generation. For example, place a higher focus on value when grocery shopping when compared to boomers. This has caused the industry to adapt by ensuring value has a direct correlation to quality and price.⁴

To cater to this value-minded population, Walmart instituted a "Savings Catcher" tool that in the U.S. refunds Walmart shoppers if a competitor has a lower advertised price on a product. Technological advances like the Savings Catcher could change how consumers shop and retailers price their merchandise.⁵

Redefining "Eating Out"

Millennials are eating at home less frequently than previous generations, especially for breakfast and dinner, although those meals have the highest frequency of at-home consumption.⁶ This shift has made a significant impact on food and beverage manufacturers and retailers, who have shifted their focus away from

offering only ingredients to offering ingredients, prepared foods and premade options.

“ Ready meals are more popular than ever, accounting for 50% of total U.S. food expenditures.⁷ ”

Consumers from the millennial generation, when compared to older consumers, eat more frequently at school or work and patronise quick service restaurants (QSRs) more often.⁸ In fact, 66% of millennials eat at school or work at least once a week, as opposed to 44% of Generation X and 24% of baby boomers.⁹ Convenience is crucial to millennials and eating at a QSR is a much higher priority for them. The need for on-the-go meals drives 33% of millennials to eat at a QSR at least once a week compared to 15% of boomers.

How the industry adapts to these trends will change how all generations, from baby boomers to millennials and others, purchase, consume and interact with companies and products in the future.

⁵ Source: <http://www.usatoday.com/story/money/business/2014/03/21/wal-marts-new-tool-gives-competitors-prices/6703417/>

⁶ Source: The NPD Group/NET In-Home; meals per capita; data for years ending in May

⁷ Source: Calculated by the Economic Research Service, USDA, from various data sets from the U.S. Census Bureau and the Bureau of Labor Statistics.

⁸ "Effect of Millennials on Food & Beverage Trends," Research Now and Todd Hale, 2014

⁹ "Effect of Millennials on Food & Beverage Trends," Research Now and Todd Hale, 2014

Changing the Traditional Mealtime Schedule

Even beyond the shift in where millennials are buying their meals is the revelation that they eat meals at different times of day than other generations. For breakfast, millennials get a much later start to their day, with 47% eating breakfast between 6am and 9am, compared to 57% of boomers. They're also much more likely to either skip breakfast or wait until traditional lunchtime to eat breakfast: nine percent eat breakfast between 11am and 2pm, compared to 3% of boomers. Lunch is the most consistent meal across generations, although millennials tend to eat lunch later in the day compared to boomers, with 25% of Millennials eating lunch between 2pm and 5pm, while only 19% of boomers eat lunch that late. Dinner shows the largest gap between generations as boomers in the USA tend to eat dinner during the traditional American dinner time of 5pm and 8pm. 81% of boomers and only 61% of millennials eat dinner during these hours.¹⁰

Food Preparation

Millennials typically spend less time preparing meals and make fewer meals from scratch. Statistics show that millennials generally spend 50% of their time preparing meals from scratch compared to 64% of boomers. Interestingly, when millennials prepare meals from scratch, they are more likely to enjoy being creative in their cooking, with 33% of millennials enjoying creative cooking compared to 28% of boomers.

How then are companies adapting to millennials? In 2014, H-E-B opened a store that included a full-service restaurant, an expanded organics section, a juice bar, a speciality cheese shop and other unique sections. The restaurant also offered a full bar, live music performances, and items including barbeque brisket smoked on site. The company went that extra mile to ensure they captured millennial spending power.¹¹ Food Lion is also adapting to millennial spending trends by offering "grab & go" foods, dollar deals, expanded gluten-free sections, and garden coolers to keep fruits and vegetables fresher, longer.¹²

Value Shopping at the Grocery Store

Diversity in intergenerational habits influences the shopping habits of these groups, as millennials tend to shop for groceries less frequently than older cohorts. 40% of millennials in the USA shop more than weekly, whereas less than 45% do amongst older cohorts, and 26% shop less often than weekly, while more than 20% do in older generations.¹³

Because the younger generations are making fewer trips to the grocery store, capturing the most from these shoppers is critical. Millennials offset less frequent trips with bigger purchases – an average of \$54 spent compared to \$46 amongst boomers.¹⁴ While millennials currently spend less on groceries annually, this can be partly attributed to family sizes; older shoppers are more likely to have larger families, and as generations age and family sizes increase, so will their expenditures at the grocery store.

Younger households, many of whom have felt the greatest pain during the recent soft economy, are mindful about making their money go as far as possible at the store.¹⁵ These shoppers generally focus on value and low prices when selecting a retailer. Furthermore, they prefer a store that makes shopping easy, specifically a "one stop shop" where they can purchase all their food and other essentials under one roof.

“ Convenience is king for Millennial shoppers. ”

Although 56% of millennials primarily shop for food at grocery stores, this is notably less than the 65% of boomers whose primary choice is grocery stores. Mass retailers, on the other hand, are the primary choice of 29% of millennials and 22% of boomers.¹⁶

When asked about the types of products they typically purchase, millennials top the list with natural, local and organic products.¹⁷ These three characteristics, which often go hand in hand,

fit in with the lifestyle many millennials aspire to and wear as a badge of pride. Millennials see themselves as eating differently – healthier and better – than preceding generations. As the Private Label Manufacturers Association has reported, 6 in 10 claim to eat healthier than their parents and half incorporate organic products more frequently.¹⁸ This generational shift is key for retailers, many of which are putting increased focus on the perimeter of the store, the typical home of produce and fresh/prepared foods, and away from the center of the store where beverages and packaged goods are typically stored.

This prompts retailers to make adjustments to store displays to appeal to the trends associated with healthier eating.

While millennials are price conscious, value is key; they want healthier products, which are generally more expensive. Consumers have recalibrated spending and redefined traditional norms of value. During the recession, value was about consumers trading down and making sacrifices in product quality. Today, it is increasingly about consumers weighing not only the costs of goods, but the multitude of benefits they offer as well.

Constant Connectivity is Changing Everything

How can brands and retailers engage with millennials in a way that speaks to them and fits into their lifestyle? Smartphones play a central role in the lives of most millennials and digital connectivity is the norm, as millennials grew up during the mobile revolution.

“ Smartphone usage plays an important role in the entire path to purchase. ”

Reaching millennials through traditional advertising means, such as mailers and weekly ads, is less successful than with older generations. Only 27% of American millennials read grocery stores' weekly mailers as opposed to 52% of boomers.

Additionally, 25% of millennials use phone-based coupons (versus 3% of boomers) and 17% compare prices when grocery shopping (versus 2% of boomers).¹⁹ Using the phone to search for recipes and ideas in store is also being embraced, with 20% of millennials reporting doing so. When they are at home planning their shopping trips, 25% of millennials use their phone to make a list. To keep up, companies must find creative ways to get on this generation's digital shopping list.

Millennials use their phones as they shop, beyond consulting a list. While app and web usage are usually the primary focus, it is important to remember that the influence on the purchase decision often comes from other people. 18% of millennials reported texting or calling other people to discuss what to purchase while they were in the store – this in contrast to just 3% of boomers.²⁰ This connectivity to others, and not just to the internet, is important for understanding millennials. They engage with family and friends about what to buy pre-store at a 17% rate, in stark contrast to just 4% of boomers.²¹

Millennials are far and away more inclined to embrace smartphones as an essential shopping tool than older generations. Reaching them on their mobile phones in order to make their shopping trips more efficient, and playing to the key choice drivers of value and convenience, are critical charges of both brands and retailers. Digital engagement at various points along the path to purchase – including at the in-store point of purchase – presents opportunities and challenges for marketers, both of which must be embraced. Looking at millennials' attitudes and behaviour provides a window into the changing natures of grocery shopping and food consumption that are affecting all generations.

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