Marketing to Millennials

A Tufts University Study Reveals
The Restaurant Reward Program Elements That Millennials Want
In order to ascertain a clearer understanding of millennial wants and needs, Paytronix commissioned Professor Jack Derby’s team at Tufts University to find out just what would attract millennials to a restaurant’s reward program. The team surveyed more than 500 millennials, with the population skewing on the young side - most of them were between 18 and 24 years of age.

This white paper shares the results and conclusions of the Tufts survey, complemented by additional thoughts and analysis from loyalty-marketing leader Paytronix. It provides perspective directly from the front lines, where Paytronix is driving loyalty programs that reach millions of guests at more than 250 restaurant chains nationwide. So what can you learn from the Tufts/Paytronix survey?

**Millennials eat at fine-dining restaurants THREE TIMES more frequently than members of other generations do.**

With each opportunity to engage a new generation, restaurant marketers have readily adopted new methods for attracting guests. The millennial generation is more tech savvy and digitally connected than its predecessors, which has made digital marketing more important than ever - the clear choice for reaching millennials. So it’s imperative that restaurant reward programs offer easy access via mobile devices. Loyalty is literally driven from the hip, as smartphones lead the millennial generation on their path through life.

According to LoyaltyPulse, a January 2013 consumer study conducted by Loyalogy, Millennials eat at fine-dining restaurants THREE TIMES more frequently than members of other generations do. Today, that visit multiple is fueled by first dates and similar dining occasions. These are just some of the many life milestones that will be reached as the millennial generation looks forward to college graduations, first jobs, marriage, kids’ achievements, and much more. Most of these experiences will include a celebratory visit to a restaurant.
ACCESSING MILLENNIALS - TODAY'S RESTAURANTS NEED TO ATTRACT AND RETAIN MILLENNIALS AS VALUED GUESTS, BUT EARNING THEIR LOYALTY TAKES A VERY DIFFERENT APPROACH TO MARKETING THAN IN THE PAST.

The Tufts/Paytronix survey asked millennials how much they spend on eating out each month. The results identified an interesting deviation by gender. Less than two-thirds of the females in the study spend over $40 every month eating out. On the other hand, more than three-quarters of the males spend over $40 every month eating out, with 31% spending over $100 (perhaps footing the bill for those first dates we mentioned).

When it comes to reward programs, millennials enjoy mobile devices and free stuff. They like referrals, email, and the feeling of winning. And ultimately, they seek convenience.

More than THREE-QUARTERS of millennial males spend over $40 every month eating out.

Adding a cardless element to a program attracts more millennials.

We took a look at a Paytronix client’s data before adding an app to its loyalty program and then compared it against the data generated after the introduction of the app.

By having the mobile app, the restaurant was able to DOUBLE the number of millennials who joined its loyalty program.

All told, two-thirds of the program’s total enrollments were done through the app. Our customers who are heavily targeting millennials are also seeing an increase in their use of text to join. By simply texting a keyword and their email address to a short code, guests can become members. It’s simple and convenient.

To reach millennials and gain space on their smartphone screens, a quick-serve restaurant (QSR) needs to offer a mobile app that will, at a minimum, include information about its brand and location, reward balances, a method of identification for the reward program, a messaging center, and means of mobile payment.
While most of these features are also important for casual-dining chains, mobile payment is not as important yet. However, mobile or online ordering is a requirement for casual-dining apps.

**LOYALTY GOES VIRAL WITH MILLENNIALS**

Millennials refer friends more than any other generation. They like getting and giving referrals. In fact, millennials are 23% more likely to refer a friend to your reward program than boomers are. And when compared to the Gen Xers, millennials are 25% more likely to refer a friend. That’s why Paytronix continues to add restaurant-friendly tools to its refer-a-friend feature. Today, restaurants can set thresholds that referred parties have to meet before the member who referred them receives a reward. Also, members can post a unique link to their social news feeds to refer all of their friends to the reward program. Paytronix calls it the social referral tool.

Nearly 60% of millennials rank **email** as their preference for receiving information pertaining to reward programs.

The Tufts/Paytronix study also explored what type of rewards millennials preferred. Rewards are the hook that typically attracts members to a reward program and motivates them to encourage friends to join. But what rewards and incentives work best when marketing to millennials?

The most preferred reward, by a 64% majority, was free product. Next, the survey shows that millennials prefer to receive a dollar amount off. The rest of the options were ranked in this order: percentage off, BOGO, members only special pricing and free add-on (such as chips with meal).

Even with the smartphone-driven millennial generation, email is clearly not dead. This group ranked email highest among the options presented, above SMS, push, and social media. They prefer email and likely open the message on their mobile device. In fact, 73% of those surveyed said they read most email messages on their mobile phone.
and the like. They really do prefer to receive these communications via email, SMS, or push messages, as opposed to having their social news feeds interrupted.

**WRAP-UP**

In summary, millennials are happy to engage with a reward program that's simple, personal and convenient. Programs should be easy to understand and provide a convenient extension of the brand to the mobile space.

As marketers, we know consumers are less resistant to small shifts in behavior versus large shifts. So, if we know that millennials treat their mobile phone as an appendage, it's wise to extend the benefits of your reward program to it. For starters, get an app that enables all the features and benefits of your reward program.

Studying the behavior of your millennials with both macro- and microscopic lenses will help your brand attract more of this key demographic. Converting millennials to lifetime members will be a piece of cake if you remember to keep it simple, personal, and convenient. And by all means, leverage whatever data you can about your guests for new insights that will continue to attract more millennials to your concepts.

Equally important for marketers, we also found out what millennials don’t like about restaurant reward programs. In particular, the Tufts/Paytronix survey data indicated three things that millennials do NOT want:

1) Printing coupons was the least favorite method for millennials to redeem offers.

2) Millennials prefer scanning an email at the point of sale or storing the offer and redeeming it from their account. In general, convenience remains the key.

3) Millennials do not like to perform additional actions outside of their normal routine in order to engage with your brand.

Over-marketing is another big turnoff, as millennials don’t want daily messages and offers. While they are more receptive to highly relevant, timely messages, they do not want to hear from your brand on a daily basis. Yet there are times when higher frequency offers make sense.

Your most active guests may have a different tolerance for daily messages. For example, if you’re triggering a thank-you message after each visit and the guest is in your restaurant every day purchasing a coffee, the rhythm of the messages matches the cadence of visits, which is typically a good thing. Market to your millennial guests with smarter engagement tactics, rather than just with more frequent contact.

The big survey surprise came when we looked at reward messages in social feeds. Millennials, especially the younger ones, don’t want their social feeds cluttered with reward program updates, check-ins, reward notifications,
HOW A CHAIN ATTRACTS MILLENNIALS TO ITS REWARD PROGRAM.

Attracting millennials to your reward program begins with attracting them to your brand. Start by asking, “How many millennials does my brand serve today?” If you don’t know the answer, get to the bottom of that first. The more you know about your guests, the better you’ll be able to crush the competition.

Conversely, acting with limited data about guests can lead to poor decision making. One of Paytronix’s clients, a traditional boomer-focused brand, came close to making the wrong decision about a limited-time offer (LTO). Here’s what happened:

The casual dining chain’s CEO saw the opportunity presented by the millennial generation and challenged his executive chef to create a LTO that would appeal to millennials.

In order for an LTO to secure a permanent spot on the menu, the restaurant required it to sell at a rate of 9% or higher. In other words, at least 9% of all orders during the limited-time offer had to include the LTO item.

The purchase rate of the LTO was less than the benchmark, so the process in place determined that the LTO was unsuccessful and dictated that it be discontinued.

However, a deeper examination of the data revealed the demographic makeup of this chain’s customer base. Millennials constituted just a sliver of the restaurant’s sales in relation to non-millennials. Even if every single guest in the millennial segment purchased the item during the LTO period, the non-millennial purchase behavior would have eclipsed the millennial behavior.

Instead of canceling the LTO item, we delved into the data and explored purchase rate by age. Under this lens, the LTO item was wildly successful among millennials, with a purchase rate of over 10%. The chain decided to keep the item and began making an impact in converting that sliver of the demographic pie to a larger share of millennial guests.
WHAT WE DO

With our industry-leading reward programs, email clubs, promotional engine, gift and comp solutions, and data insights, Paytronix provides restaurants with the tools they need to compel guests to choose their brand first and more frequently.

Everything we do, whether it’s continuously inventing new features or analyzing data to elicit actionable insight, is centered on the fundamental goal of creating loyal guest behavior.

Implement a reward program with features that millennials will love.
Contact Paytronix today.
www.Paytronix.com