

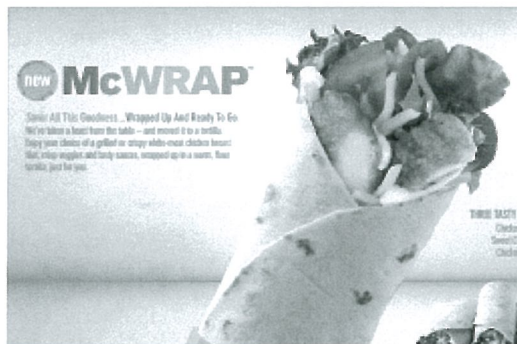
# Advertising Age®

## McDonald's Has a Millennial Problem Country's Biggest Fast Feeder Doesn't Rank in Top 10 Fave Restaurants Among This Huge and Influential Demo

*Published:* March 24, 2013

McDonald's<sup>®</sup> may be the country's No. 1 fast-food chain and one of its most-beloved brands, but when it comes to millennials, the Golden Arches says it doesn't even rank among the demographic's top 10 restaurant chains.

It's enough of a concern that McDonald's is launching its biggest product of the year, McWrap, to court a huge and influential cohort that values choice and customization. According to NPD Group, there are 59 million people ages 23 to 36 in the U.S. -- the range it defines as millennials.



McDonald's McWrap

McDonald's isn't the only major marketer trying to reach millennials. Everyone from Coke and Gatorade to brewers and media companies are struggling to understand this group. There's even confusion about just who millennials are in terms of age range (restaurant consultant Technomic counts them as 19-to-34-year-olds; McDonald's, in an internal memo obtained by Advertising Age, classifies them as ages 18 to 32). Size estimates for this demographic group range anywhere from 59 million to 80 million.

But on one thing most marketers agree: "They're 80 million [people] but they're influencing the next 80 million, both younger and older," said Gary Stibel, CEO at New England Consulting Group.

How to solve the millennial problem? McDonald's hopes a sandwich item is the key.

"McWrap offers us the perfect food offering to address the needs of this very important customer to McDonald's," says the fast feeder's memo, which notes that "McDonald's is currently not in the top 10 of millennials' (customers primarily ages 18-32) favorite restaurants."

Referred to in the memo as a "Subway buster," the McWrap "affords us the platform for customization and variety that our millennial customer is expecting of us." The McWrap comes grilled or crispy in three varieties -- sweet chili chicken, chicken and bacon, and chicken and ranch -- and will range from 360 to 600 calories, depending in part on the type of chicken.

Said the memo: "Our customers are consistently telling us, particularly millennials, they expect variety, more choices, customization and their ability to be able to personalize their food experience."

The importance of this ability is clear in the McDonald's memo. "In fact, they have told us that if we did not offer McWrap, 22% of these incremental customers would have gone to Subway."

When asked to comment on the memo, the company said only that "millennials have and will continue to be an important audience for us at McDonald's."

Millennials are indeed going to burger chains, but they are going less often. The hamburger category, which includes McDonald's, Wendy's and Burger King, still receives 29% of all millennials' quick-service visits, according to NPD, more than any other restaurant category. Fast casual, which includes chains like Chipotle, gets 6% of millennial quick-service traffic.

But hamburger chains have seen a 16% decline in traffic from millennials since 2007, NPD said. In the year ended November 2012, millennials made 3.6 billion visits to hamburger chains, down from 4.2 billion visits in the year ended November 2007. There was a 12% decline in quick-service restaurant visits by millennials in the same time period.

The means of reaching millennials might be higher-quality products and lots of choice. The group has caused fits for big beer marketers in recent years as it changes drinking habits in search of variety rather than remaining loyal to certain brands or styles as previous generations had. Brewers have responded with new brands and line extensions, such as Bud Light Platinum, which has shown early success in nighttime drinking occasions.

Mr. Stibel notes that when his firm researches beer trends, "we don't research the average user; we research bartenders near college campuses, because we learn what's happening today from studying younger beer drinkers." He said: "It's like a python swallowing a mouse -- you watch that trend reverberate through the population."



McDonald's Quarter Pounder

Mr. Stibel said there are three reasons reaching young adults is important, two of which are not new: Marketers want to reach young consumers as they start earning more money and forming families, and younger generations have been the source for trends in fashion and food. But the third reason -- the new one -- is that older consumers are increasingly learning from their children, such as how to use apps on smartphones.

Media companies, too, are catering to millennials. Participant Media, the company behind films like "Lincoln" and "The Help," is launching a cable network targeting the demographic this summer positioned as a vehicle for content that inspires social change. Participant believes the generation has the strong desire and capacity to help change the world.

Technomic research seems to agree; it finds millennials place a high value on attributes like social responsibility, sustainability, local, organic, grass-fed and hormone-free offerings when it comes to dining out.

Aside from being socially conscious, Participant Media said the millennial demographic is the one that pay-TV providers are most at risk of losing, and it believes the network could provide a new way to watch TV. Participant acquired the Documentary Channel in December and has agreed to buy the distribution assets of Halogen TV from Inspiration Networks. Participant will combine and rebrand the services as a new channel, which will be available to about 40 million subscribers.

When it comes to using media to reach millennials, marketers are revamping their strategies; the tried-and-true tactic of saturating the big broadcast networks with beer ads just doesn't cut it. MillerCoors<sup>®</sup>, for instance, has struck a deal with Turner Broadcasting that makes the marketer's brands the only beers featured in product placements on TNT and TBS, from cans and barware to tap-handles and even trucks, Ad Age reported last week.

"They grew up with DVRs. They grew up being marketed to through video games. We have to be more relevant than 10 years ago," said Stevie Benjamin, the brewer's media director.

Coke and Gatorade are two marketers doing something right to reach millennials: More than half of consumers ages 13 to 34 are drinking those beverages at least once a month, according to Consumer Edge<sup>®</sup> Research. Gatorade outperforms with people under 24, with 57% grabbing the sports drink at least once a month. And Coke is more popular with those older than 25, with 55% drinking the soda at least once a month.

Coke has been aggressive in targeting youth, especially in recent years. It has focused on music as a conduit to the cohort and has been cultivating communities across social-media platforms. Gatorade keeps tabs on social conversation through its "Mission Control" monitoring center; it also connects with athletes one-on-one through camps, as well as locker-room and sidelines programs.

By the time marketers finally have millennials figured out, it may be time to move on. According to U.S. Census data, 46% of households headed by a millennial adult ages 20 to 34 in the U.S. have kids, which means marketers will be -- or should be, anyway -- focusing on marketing to millennials as parents.

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### **How to Make More McMillennials**

Generalizing for a group of people who are sometimes upwards of 15 to 20 years apart can be a dangerous move. Some demographers would even separate millennials into a few distinct subgroups. But there are some common themes and values held dear among all millennials.

**Fresh and organic food:** Millennials place an emphasis on the importance of organic and fresh food. Fast-casual chains do well with the demo because many of them promote a fresh or organic message.

**Variety and customizable products:** In the food world, millennials appreciate the ability to build their meals from an array of choices. Chains like Chipotle and Subway do well in this regard because each item is made to order.

**Social change:** Millennials care about social issues and tend to support companies that are actively helping address problems across the globe.

**Sustainability:** Particularly with food, millennials value companies that are proactive with sustainable farming practices and are environmentally conscious.

**Social-savvy brands:** Brands that have active Facebook and Twitter pages and engage in conversations with customers tend to have more long-term support from millennials.

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