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*Restaurant News*<sup>®</sup>

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# Restaurants look ahead to Gen Z

After Millennials, operators brace for the impact of next-generation consumers **BY RON RUGGLESS**

**W**ith Millennials emerging fully into the consumer landscape, restaurant operators are assessing the next big demographic group: Generation Z.

Members of Gen Z, born after 1995 or 1996, make up about a quarter of the U.S. population — eclipsing even Baby Boomers and Millennials in size, according to The Hartman Group, a market research firm.

Whether you call them Post-Millennials or the Homeland Generation, the eldest Gen Z'ers are just entering their 20s, and the younger ones are helping form youth culture.

This generation is influencing everything from restaurant design and technology to marketing and menu at brands as varied as Denny's and Taco Bell to Toppers Pizza and Modern Market.

"Like other brands, we definitely are very in tune with the growing needs of Generation Z," said John Dillon, chief marketing officer for Spartanburg, S.C.-based Denny's Corp.

**The expectations from a technology standpoint are high. They didn't evolve into it; it's just an expectation.**

*—John Dillon, CMO of Denny's*

Gen Z is coming of age, Dillon said, exerting influence on restaurant sales and making purchases of their own.

Gen Z is more ethnically diverse and technologically savvy than earlier generations, said David Wright, senior manager for marketing at the Seattle-based Hartman Group.

"We are in the midst of a shifting racial makeup due to trends in immigration and intermarriage," Wright said.

A convergence of technology and ethnic diversity has helped create a group that is fluid and playful, "where identity is a highly nuanced concept," he said.

"This generation is more comfortable



Healthfulness and choice are important to Gen Z consumers, so last year, Taco Bell obtained certification from the American Vegetarian Association for 12 menu items.

and conversant with a range of different cultures, races and ethnicities."

For restaurant operators, Gen Z will be known for its digital prowess, its demand for customized offerings and its awareness to what is healthful for themselves and the greater world, operators and experts said.

## Denny's markets the 3 C's

Since Gen Z is tech-savvy to a fault and socially connected through devices, restaurant operators are more likely to get their messages seen through these platforms.

In a Pew Research Center survey last year of consumers ages 13 to 17, about a quarter of respondents said they were online all the time, and sent and received 67 texts a day, excluding other messaging channels like Snapchat and Facebook Messenger.

With so much knowledge at their fingertips, they fact-check everything and turn to their online communities for advice and answers.

"There's this whole area of convenience, choice and customization," said

Dillon of the 1,750-unit Denny's chain.

"We call it the 'Three C's.' They haven't known a world without the ability to get things how they want it, when they want it, the way they want it."

To communicate that Denny's fits the "Three C's," Dillon said the brand is communicating with Gen Z and Millennials through social media including Tumblr, Twitter and Instagram.

"The expectations from a technology standpoint are high. They grew up in a world when technology was just there. They didn't evolve into it; it's just an expectation," he said.

Denny's digital voice aims to meet the Gen Z need for self-expression and desire for interaction with brands on a personal level.

"We're fortunate in that we have a unique, playful voice that's a little bit off-center," Dillon said.

For example, a recent tweet by Denny's included a poll, with more than 7,350 votes, that asked: "favorite kin? 1) nap 2) pump" Pumpkin eked out a win with 53 percent of the votes.



"What we try to do in the digital and social space is to extend the diner booth — and the conversations that happen in the diner booth — to play directly into that Generation Z mentality," Dillon said.

### Menu: Global and transparent

Diversity is the new normal for Gen Z, The Hartman Group's study found, and the generation is likely to be more comfortable and familiar with different cultures, races and ethnicities than previous generations.

The high degree of ethnic diversity, through personal interaction and technological connections, means Gen Z has long been exposed to global and regional foods, as well as the health and wellness benefits of their diets.

"Choice is a huge part of that," said Alec Boyle, a spokesman for Irvine, Calif.-based Taco Bell.

"We're also committed to being that restaurant for everyone, whatever your lifestyle may be," he said.

One way Taco Bell has highlighted choice is by promoting its vegetarian options.

Last year, Taco Bell obtained certification from the American Vegetarian Association for 12 menu items. The company recently touted its vegetarian bona fides by listing 5.7 million vegetarian combinations that are available at its restaurants.

Dillon said Denny's is looking at bolder flavors in menu items. "Menu-wise, we



RON RUGGLES

**Modern Market** has expanded its use of communal tables, which serve as gathering places for young families with Gen Z children. In a Dallas restaurant, the dining area is dominated by three large tables that seat 10 customers each.

still need to hit on those needs for choice and customization. We're exploring ways to do that better," he said.

"There's definitely a sense of adventure that Gen Z has," he said. "It's taking the adventure Millennials have to the next level."

At Toppers Pizza, the 76-unit fast-casual brand based in Whitewater, Wis., the most popular prepared pizza is the spicy buffalo chicken pizza, which rivals in popularity single ingredients like traditional pepperoni.

Pricing strategy also has to be clear cut, said Scott Iversen, Toppers' vice president of marketing. To avoid the impression of "nickel and diming" customers, Toppers has reduced pricing to two tiers: a two-topping price and an unlimited price.

"They aren't penalized for all the toppings they want," Iversen said.

Authenticity and transparency, such as open kitchens and ingredient displays, are also important to the younger diners, he said.

"They want to know where their food is coming from and how it's prepared," he said.

The Hartman Group found that Gen Z wasn't shy about turning to technology and the Internet to investigate the healthfulness of their food choices.

To meet that demand, Iversen said Toppers is investing in

a new point-of-sale system, expected to go systemwide by late 2017, that will disclose sources of ingredients and nutritional data on each check.

### Technology is a given for Gen Z

The smartphone has defined Gen Z, Iversen said.

Toppers has invested resources into the technology of ordering online, he said.

"The big guys are continuing to pave the way. We think the little chains can keep up," he said.

Toppers is in the process of building its own proprietary online ordering system.

"We are involving user testing in the development of it," Iversen said. "We are looking at what you can get from the big guys versus what we can offer from the ground up."

Big brands like Domino's have the advantage of television advertising and mass media, he said, so Toppers looks to do branding on its website.

"It's a delicate balance between functionality and usability, and use of the website to brand our experience," Iversen said.

The mobile web experience is more important to his company than having an app, he said.

"Apps are essentially a marketing tool and loyalty," he said. "If they use the app, you can track their behavior. However, technology is moving fast enough that we can do with browsers."

"We think the future is more toward

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## Get to know Gen Z

Gen Z, the age group born after 1995, is already beginning to exert its influence on foodservice. The following are important characteristics to know about these younger consumers, according to research firm The Hartman Group.

### 1. Global is good

Gen Z has more exposure at an early age to global and regional foods than previous generations.

### 2. Ready to communicate

Since Gen Z consumers are more likely to have parents from different ethnicities, there is more opportunity to be bilingual or trilingual.

### 3. Can't we all get along?

Gen Z sees greater opportunity for acceptance of and comfort with others.

### 4. Shops for different

Unusual and off-the-beaten-track items appeal to Gen Z.

### 5. One world, one love

This generation feels fewer boundaries in general and does not have an "us-versus-them" mentality.



TOPPERS PIZZA

"They want to know where their food is coming from and how it's prepared," says Scott Iversen, vice president of marketing at Toppers Pizza.

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# Restaurants look to Gen Z



The recent design of JWB Prime Steak and Seafood in Hollywood Beach, Fla., by McBride Co., emphasizes flexibility, which is particularly important to the younger set of Gen Z consumers.

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the mobile web experience than it is with the app. People are downloading fewer and fewer apps every year, and they are cleaning up real estate on phones."

#### **Make designs emphasize the social**

In designing restaurants for Gen Z, experts say that an emphasis on social will be key.

Denver-based Modern Market has expanded its use of communal tables, which serve as gathering places for families with young children.

In a Dallas restaurant, the dining area is dominated by three large tables that seat 10 customers each, and have become gathering places for young families with Gen Z children.

Modern Market co-CEO Anthony Pigliacampo, a Millennial himself, said the founders of the 21-unit fast-casual concept started with six-top tables, but shifted to the larger tables over time.

"The Social Club" is an emerging concept that we see exploding over the next couple of years," said Ryan McBride, creative director at Manchester Center, Vt.-based McBride Co., a firm that designs hospitality and leisure destinations.

He said the social aspect blurs the boundaries among restaurant, bar and hangout spot.

McBride's company recently designed a social club for a client in El Paso, Texas, that includes food and beverage service along with many opportunities to engage in shared experiences, including arcade games and foosball.

Examples of technology-influenced designs, McBride said, include forward-looking concepts such as Eatsa in San Francisco, which is fully automated; Ultraviolet in Shanghai, which merges food with

multi-sensorial technologies; and Inamo in London, which features an interactive ordering table system.

Layout of restaurants will need to be flexible, McBride said, to appeal to Gen Zers desire for personalization and customization.

McBride said his company's recent design of JWB Prime Steak and Seafood in Hollywood Beach, Fla., tapped into that flexibility.

"It's a luxury dining experience, though it carries none of the typical 'stuffiness' one might expect in an upscale steakhouse concept," McBride said. It also features flexible spaces.

"Because JWB morphs and changes as you navigate through the space, it provides diners with more than one impression and dining atmosphere," McBride said.

"This is an important design consideration when trying to appeal to Gen Zers, as they are always looking for what's next, and what they haven't seen before."

The challenge for restaurant operators and Gen Z remains connecting with them early, said Dillon of Denny's.

"Because of how they've grown up and what they've been exposed to, brand loyalty is something that is challenging," he said. "They have high expectations. They are looking for brands that match those expectations. ... Their loyalty can be fleeting."

But loyalty can be deepened with near-personal connections.

"Our goal is to connect with them in many, many ways, not just when they are hungry," Dillon said. "But when they are hungry, they'll think of Denny's." ■

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