Executive Summary

Midwest Dairy seeks to better understand how K-12 school nutrition professionals can innovate the lunchroom experience to increase school meal consumption. We analyzed and synthesized research from multiple market research companies, which include qualitative and quantitative research methods, to develop this secondary research report uncovering generation Z values, beliefs and expectations. This slide deck uncovers key insights and activations for school nutrition professionals. Video interviews with middle and high school-aged students are included to support research findings.
Consumer Insights - Process and Sources

MARKET RESEARCH SOURCES

- Information Resources Inc. (IRI)
- The Hartman Group
- Innova
- Global Data
- Barkley Advertising
- The Nielsen Company
- Marketing to Gen Z (book)
- Datassentials
- Forbes
- National Dairy Council
- The Family Room and DMI
- Farm Rich
- U.S. Census Bureau
- Smarter Lunchroom Strategy

Research is all information used to identify and define market opportunities. This can be in the form of survey data, sales data, syndicated reports, etc. Insights are the interpretations and/or key takeaways that come from analyzing and synthesizing the research.

This slide deck may be shared with external audiences with proper citation.
Learning Objectives

1. **Gen Z Values, Beliefs and Expectations**
2. **Gen Z Trends Driving Dairy Innovation**
3. **Connect with Gen Z to Increase School Meal Consumption**
U.S. Generation Distribution

- **1925-1945** Age 70-93: Silent Generation 10%
- **1946-1964** Age 51-69: Baby Boomers 23%
- **1965-1978** Age 39-50: Generation X 16%
- **1979-1995** Age 21-38: Millennials 24%
- **1996-2010** Under 21: Generation Z 27%

Source: Nielsen Population Facts
Events that Define Each Generation

1925-1945
Age 70-93
- The Great Depression
- The Dust Bowl
- WWII
- McCarthyism

1946-1964
Age 51-69
- Vietnam
- Woodstock
- The Civil Rights Movement
- President Kennedy’s assassination
- Watergate
- Space exploration

1965-1978
Age 39-50
- The fall of the Berlin wall
- The challenger disaster
- AIDS
- MTV
- The Iranian hostage crisis
- Desert Storm

1979-1995
Age 21-38
- 9/11
- Columbine
- Google
- Social media
- Video games
- Y2K

1996-2010
Age 8-21
- The Great Recession
- ISIS
- Sandy Hook
- Marriage equality
- The first black president
- The rise of populism

Source: Marketing to Gen Z by Jeff Fromm and Angie Read
Gen Z: The Pivotal Generation

Gen Z makes up 27% of the U.S. population today and will account for 40% by 2020.

Source: Nielsen Population Facts & Datassential
Meet Hudson H., 14-years-old
What Makes Gen Z Different Than Other Generations?
Mobile and Connected From Birth

First truly digital generation

There’s no difference between online and offline – it’s all the same.

They use social media to amplify their IRL social lives, educate themselves, have fun and be entertained.

They have never heard of a flip phone.

Because they are so connected to information, they have family buying power.
Notoriously overscheduled

Gen Z have unusually early experience with and awareness of stress, anxiety, and depression, which used to be much more adult concerns.

<table>
<thead>
<tr>
<th>A Day in the Life (Summer Vacation)</th>
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<tbody>
<tr>
<td>Morning</td>
<td>Sport team practice, working out</td>
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<tr>
<td>Afternoon</td>
<td>Job as cashier followed by physical therapy for my knee; internship followed by violin</td>
</tr>
<tr>
<td>Evening</td>
<td>Preparing my own meal, family dinner</td>
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<tr>
<td>Night</td>
<td>Babysitting, SAT prep</td>
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</tbody>
</table>

I am just so tired from everything… school, my chores, schoolwork, soccer, physical therapy, babysitting, my kitty.

~16 yo Girl, Denver

When I play basketball my focus is on winning, so if I am losing or miss a shot I just have to keep trying until I get it. I won’t be happy with myself until I have done 100%.

~15 yo Girl, Chicago

Source: The Family Room and Dairy Management Inc
Old Souls in Young Bodies

VALUES
- Intelligence
- Diversity
- Family

WORRIES
- Terrorism
- Violence
- The economy
- Global warming

BELIEFS
- Equality
- Success must be earned

More independent than previous generations

Source: Marketing to Gen Z Jeff Fromm and Angie Read
How Often Do You Worry About…
(Teens 13-18)

<table>
<thead>
<tr>
<th></th>
<th>Monthly</th>
<th>Weekly</th>
<th>Daily</th>
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<tbody>
<tr>
<td>School Violence</td>
<td>23%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Terrorism</td>
<td>25%</td>
<td>21%</td>
<td>16%</td>
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<tr>
<td>Pollution in Air &amp; Water</td>
<td>25%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Global Warming &amp; Climate Change</td>
<td>22%</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Family Room 2017 Gen Z Passion Point Study
Most Ethnically Diverse Generation

PERCENT OF NON-WHITE POPULATION BY GENERATION

- **BOOMERS**: 27%
- **GEN X**: 39%
- **MILLENNIALS**: 43%
- **GEN Z**: 49%

They **celebrate their differences** and see the world with **fewer boundaries**.

Source: US Bureau of Census, census.gov
And They Are Willing to Experiment

Brands will be challenged by Gen Z’s “No Limits” orientation and willingness to experiment.

Source: 2018 Information Resource Inc (IRI)
Save More than Previous Generations

93% Feel optimistic about their financial futures.

71% Think that savings is important.

64% Have already started researching or talking to others about their financial futures.

Source: Magnani
66% buy products based on price

Source: IRI Quantitative Generational Study; December, 2017
More Willing to Pay for Health Attributes than Any Other Generation

31%

Compared to 29% of Millennials and 23% of Baby Boomers.

Source: Nielsen
The Shortest Attention Span

12 SECONDS
The average Millennial attention span

8 SECONDS
The average Gen Z attention span

9 SECONDS
The average gold fish attention span

Source: The Hartman Group, Forbes, TIME and Fast Company
True Omni-Channel Shoppers
And so are Millennials…

Preference for Online vs. Brick and Mortar Shopping
(any product category)

Source: IRI Quantitative Generational Study; December, 2017
What Do Pivotalists Care About?
Mobile isn’t just cool. It’s life.

98% own smartphones and they spend ~3.5 hours per day on their phone.

Source: IRI 2017 Top Trends in Fresh
Eating Healthy (and delicious) Foods

- **Organic** holds more value to Gen Z’ers than older generations.

- They want **fresh, natural foods** with a variety of options.

- They want ingredients that are **sustainable, healthy** choices.

- They still like to **indulge**, but they are more aware of what is healthy and what is not.
There is a Paradigm Shift Among Gen Z on the Meaning of Healthy

From “Being Healthy” To “Being Well”
Alexis B., Senior in High School
Reducing the negative impact on people and the planet
Social Experiences With Friends & Family

When families and friends *do* come together to eat they want to maximize the occasions with exciting and indulgent experiences.

- Unusual flavors
- Colorful foods
- Global Cuisine
Brands are Important to Gen Z, but in a Different Way than Millennials.

2003

2018

Millennials identified with popular brands.

Personal brand is the best way to show the world they are unique, authentic and praiseworthy.

Source: Marketing to Gen Z by Jeff Fromm and Angie Read
2018 IRI Quantitative General Study; December, 2017
Food is a Tool for Self-Expression
What Are Gen Z Expectations?
Communication through Video and Photo

Pivotals have never known a world without *instant consumption* of snackable content, day or night.

Source: 2017 IRI Top Trends in Fresh: Social Strategy and Cultural Alignment
Learn from Peers Vs. Celebrities

Source: Marketing to Gen Z Jeff Fromm and Angie Read
“We’re no longer as easily swayed by celebrities sequestered in their mansions, famous for being famous. We like influencers who feel more relatable, who will talk to us on social media and like our comments on their YouTube post- we like that they feel like one of us.”

-GRACE MASBACK

Source: Marketing to Gen Z Jeff Fromm
Personalization

Black coffee

Grande 2% double-blended extra whip extra caramel with java chips caramel Frappuccino

Source: IRI 2017
Transparency in Processing Methods and Ingredients

Transparency is an *expectation* rather than a pleasant option.

- Who made it?
- Who owns the company that made it?
- Where is it from?
- How was it produced?
- Did they treat their workers fairly?
- Can I reuse or recycle the packaging?
- What’s the environmental impact?
- Does it have harmful or unnatural ingredients?

Source: The Hartman Group 2015 Health & Wellness
They Want to Know if you Really Walk the Walk

MINORITIES ARE THE MAJORITY FOR THE FIRST TIME EVER AT NIKE

- WHITE: 48%
- BLACK: 21%
- ASIAN: 7%
- HISPANIC/LATINO: 18%
- TWO OR MORE RACES: 4%
- UNKNOWN: <1%
- AMERICAN INDIAN OR ALASKAN NATIVE: <1%
- NATIVE HAWAIIAN OR OTHER PACIFIC ISLANDER: 1%

Source: Nike and Fortune
Quick, Convenient Options
Pivotalss want everything to be fast.

The reason they still shop in-store? Instant gratification.

61%
Would choose same-day delivery even if it meant paying a surcharge.

58%
Would pay even more for one-hour deliveries.

Source: Marketing to Gen Z by Jeff Fromm and Angie Read
Learning Objectives

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Busy Lifestyles Drive New Products with Added Convenience

Source: Innova New Product Database 2018
Health Food as A Remedy Drives New Products with **Added Nutrition**

Source: Innova New Product Database 2018
Experimental Food Trend Drives New Innovative Flavors

Source: Innova New Product Database 2018
Global Sustainability Trend Drives Innovation with **Dairy Packaging**

Mimica Touch Food Labels

- Utilizes smart technology
- Increases confidence
- Reduces food waste
- Adds Convenience

Global Data, Waitrose Weekend, October 2017.
Digital Trend Drives an Increase in Social Presence for Dairy Brands
Growing Dairy Categories & Sub Categories

- Drinkable yogurt
- Natural cheese
- Ice cream
- Butter
- Whole-fat yogurt
- Lactose-free milk
- Whole milk

Source: Midwest Dairy SWOT Analysis March 2018
Learning Objectives

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Provide Additional Meal Options

Gen Z is predisposed to want variety.

Healthy Options

Experimental/Exotic Options

Source: 2018 IRI Growth Summit
Luke S., Senior in High School
Get Creative with Descriptive Names

Using a creative, descriptive name raises taste expectations and students’ interest.

Fish Sticks of the Sea

Hot Cheesy Pizza

Real Cold Cow’s Milk

Source: Smarter Lunchroom Strategy
Consider Adding 1% Milk

A survey conducted with over 300 schools that implemented 1% flavored milk in the 2017-2018 school year found that:

- 73% of students liked 1% flavored milk better.
- 58% of schools saw an increase in milk sold.
- 82% of schools reported it was easy/very easy to accommodate 1% flavored milk within the calorie maximums for their menus.
- Nearly one third of schools saw an increase in average daily participation in meal programs, and so received additional federal reimbursements.

Source: National Dairy Council
Keep the Menu Fresh & Hot
Lilly K, Senior in High School
Embrace Technology to be Transparent
Trenton W., Senior in High School
Communicate with Great Photos and Video

Images are more important than text in influencing Gen Z decisions.
Maya B., 12-years-old
Share Nutrition Information with Signage In-Person, too
Put your Cafeteria in the Palms of Their Hands

More than other generations, Gen Z is open about what they think.

40% Say they give feedback, such as writing reviews, “very often.”

Source: Small Business Trends 2017
Dakota L., Senior in High School
Offer more appetizers, snack foods and on-the-go options
Keep your menu fresh and sustainable
Serve Premium Pizzas & Smoothies

Pizza is Gen Z’s **fourth** most-consumed food

Smoothies meet functional & **emotional** needs for Gen Z

Add More Customization

For Gen Z, ages 13-18, top beverage are *more personalized* and not manufactured.
Let them Spice It up!

Flavor Station

- Cinnamon
- Oregano
- Gallic Powder
- Basil
- Mint
- Parsley

Billerca Public Schools, Massachusetts

Source: Smarter Lunch Rooms
Summary of Key Insights

- Generation Z is referred to as the “pivotal generation” as they are pivoting away from how things have been done.
- They are old souls in young bodies, and they are more likely to be stressed, digitally connected and overscheduled.
- They are the most ethnically diverse generation and equality is very important to them.
- They are willing to experiment with food and they enjoy social experiences with friends and family surrounding food.
- Generation Z has the shortest attention span yet, and they prefer to receive communications through videos and photos. They also prefer to learn about brands from peers vs. celebrities.
- Dairy is innovating to meet Gen Z needs with convenient products, innovative flavors, foods with added nutrition and with sustainable “smart” packaging options.
- To increase school meal consumption with Gen Z, provide them with a variety of options, embrace technology, ensure transparency with nutrition information, have premium sustainable offerings and allow for customization.
Questions?