



GEN Z

HOW CPG BRANDS CAN
BUILD BRAND LOYALTY
WITH THE FIRST GENERATION
OF DIGITAL NATIVES





A NEW GENERATION ARRIVES

A major consumer force is coming of age – and it will be game-changing.

Generation Z is loosely defined as the group born between 1997 and 2012, meaning its eldest members only recently entered the workforce – and many more will enter every year for the next decade.



**GEN Z HOUSEHOLDS
SPEND AN AVERAGE
12% MORE ON CPG
PURCHASES THAN
NON-GEN Z HOUSEHOLDS¹**

• Their elevation to the working world means even more buying power, and their emergence as an influential consumer segment spells a major shift for the marketing, media and commerce industries.

• Though young, zoomers, as they're often called, are already demonstrating their might in the grocery aisle. Gen Z households spend an average 12% more on CPG purchases than non-Gen Z households.¹

At NCS, we believe in understanding generational differences for marketing and advertising context however, there is much more nuance for brands today as they seek to create brand buyers. To help CPG brands better understand this generational shift, we've created this research-based analysis and guide to building brand loyalty with Gen Z consumers.

In the advertising and CPG-centric analysis, five factors stood out and distinguished Generation Z from other generations:

- More defined social and environmental mindset
- Commitment to content first, then ads (but only if the ads are entertaining)
- Natural trust in social media influencers
- Preference for shopping online or in superstores
- An expectation for convenience

The brands that build equity with Gen Z now will be poised for a generation of success.



**GEN Z
REPRESENTS
\$360 BILLION
IN DISPOSABLE
INCOME²**

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¹NCSolutions Purchase Data, February 2023

²Gen Z Planet, Show Me the Money



A PURPOSE-DRIVEN MINDSET

Zoomers have been raised in a time of intense social and political awareness. The internet and social media have served to both inform their views and amplify them.

For instance, climate change is a more immediate concern for Gen Z. They are **18% more likely to support politicians based on environmental positions** and **16% more likely to pay more for eco-friendly products.**³

Beyond sustainability, other social and racial issues and opportunities for activism are more accessible with the ubiquity of social media.

With the world's information at their fingertips, Gen Z has formed a more defined social and environmental mindset.

These technological and social conditions have had a massive effect on Gen Z's purchasing behaviors too. They are more socially conscious shoppers and more likely to buy online.

What They Demand From a Brand



SOURCE: NCSolutions Consumer Sentiment Survey, 2023 Gen Z

THE GEN Z VIBE

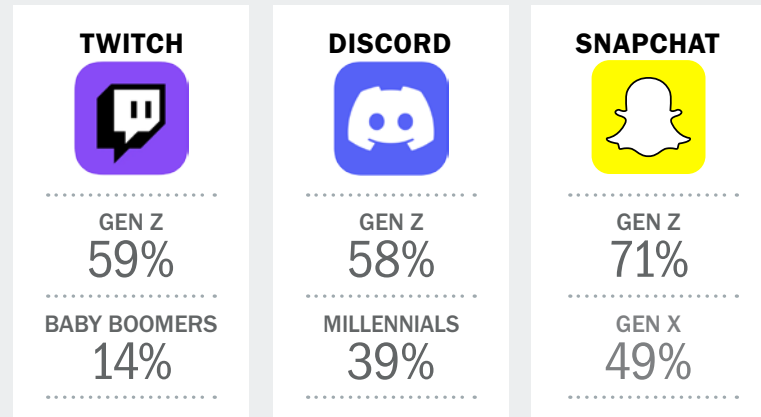
It's impossible to overstate how much zoomers live their lives on the internet. If millennials grew up alongside the internet, zoomers were raised by it. Our study results show a nuanced portrait of Gen Z, one that defies easy description.

Gen Z is accustomed to having a wealth of information at their fingertips. They **turn to the internet one-third more often to research products** and are **18% more likely to say they love shopping online.**³

When we delve deeper, we see that Gen Z is more familiar with individual social media platforms across the board. Marketing strategies that proved successful in previous generations may not work for this new one. It goes without saying there is a large gap in how the different generations interact with technology and media.

A Gap in Familiarity

WHICH ITEMS ARE YOU FAMILIAR WITH?



SOURCE: NCSolutions Consumer Sentiment Survey, 2023 Gen Z



ONLY 9% OF GEN Z HAVE HEARD OF CALL WAITING.⁴

³Nielsen Scarborough USA+ 2022 Release 1

⁴NCSolutions Consumer Sentiment Survey, 2023 Gen Z



A TALE OF 3 STREAMS

There was never a point when the internet wasn't a fundamental part of Gen Z's daily existence, so why would they consider it anything other than a completely natural part of life? This is reflected in every aspect of their media, advertising and commerce behaviors. They consume their content online (primarily through social media and streaming video). They're most susceptible to advertising on those online channels, especially from influencers. Online research is a vital component of any purchase decision, and many purchases also occur online.

Gen Z's media consumption generally falls into three categories:

- Social Media – The endless content streams on the various social media platforms zoomers use
- Audio (e.g., Spotify, YouTube Music, Apple Music)
- Video (Disney+, HBOMax) streaming platforms

There is some overlap – many social media apps are video and entertainment apps, TikTok being the foremost example. But it's helpful to think of Gen Z media as a tale of three streams.

Zoomers are 30% more likely than the general population to have used an audio streaming service in the past thirty days and 17% more likely to have used a video streaming service over the same time span.⁵

Gen Z over-indexes even higher on social media usage. In general, zoomers are 91% more likely to get their news from social media platforms.⁵ Except for Facebook and LinkedIn, Gen Z is more active on every social media platform studied.



Content Streams for Gen Z

GEN Z IS MORE LIKELY TO HAVE USED THE FOLLOWING PLATFORMS OVER THE PAST 30 DAYS:



AUDIO

Spotify **126%**
 Apple Music **101%**
 Uforia Musica **72%**
 YouTube Music **26%**



VIDEO

Hulu **62%**
 Disney+ **49%**
 fuboTV **44%**
 Netflix **29%**



SOCIAL

Tumblr **147%**
 Snapchat **102%**
 Reddit **96%**
 TikTok **62%**

SOURCE: Nielsen Scarborough USA+ 2022 Release 1



MARKETING TIP

Understand how effective your advertising is across channels by measuring the incremental sales of your campaigns. The advantage of knowing how well different elements perform is that you can use the information as a blueprint for your next campaign.



⁵Nielsen Scarborough USA+ 2022 Release 1



SOCIAL SWAY


With all the time spent on social media, it should come as no surprise that zoomers are susceptible to social advertising.



Gen Z is 81% more likely to buy products endorsed by social media influencers,⁶ for instance. (And that's self-reported data. It doesn't take into account the subconscious effect of influencer marketing.) Zoomers value authenticity, and they find it in those influencers who align with their beliefs.

The difference between boomers and zoomers when it comes to the media types that they're most receptive to is astounding — Gen Z is most receptive to ads on social media (72% compared to 19% of boomers).⁷

Where Each Generation is Most Receptive to Ads



MEDIA TYPE	GEN Z	BOOMERS
SOCIAL MEDIA	72%	19%
STREAMING TV	47%	28%
CABLE TV	28%	45%
BROADCAST TV	20%	58%

SOURCE: NCSolutions Consumer Sentiment Survey, 2023 Gen Z



SHIFTING STRATEGY TO MEET GEN Z WHERE THEY ARE

Mondelez's Chips Ahoy brand wanted to build reach and loyalty with Gen Z consumers. To make this happen, they dove into media consumption data, and discovered this younger generation isn't watching as much linear TV. This prompted a shift to their advertising budget to include more social and digital channels. Sounds like one smart cookie.⁸



MARKETING TIP

A sound strategy to find buyers is to incorporate purchase-based audiences into your marketing plan. Purchase-based audiences are 3X more effective than other methods. Your best buyers can be found across multiple channels like social, mobile, online, and TV.

⁶Nielsen Scarborough USA+ 2022 Release 1

⁷NCSolutions Consumer Sentiment Survey, 2023 Gen Z

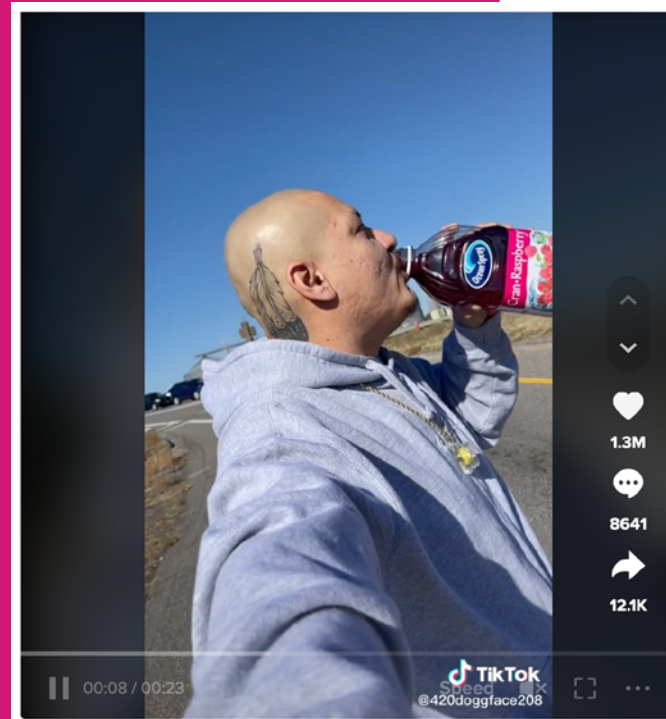
⁸Digiday, March 23, 2023 <https://digiday.com/marketing/why-chips-ahoy-linear-tv-budget-is-crumbling-in-the-face-of-new-digital-options/>



OCEAN SPRAY RIDES WAVE OF AUTHENTICITY

One non-alcohol brand that captured Gen Z's attention is Ocean Spray. In 2020, Nathan Apodaca's (@420doggface208) truck broke down on the way to work. He left it on the side of the road and rode his longboard so he wouldn't be late. As he coasted along the freeway, he filmed himself singing Dreams by Fleetwood Mac as he drank Ocean Spray cranberry juice from the bottle.

The TikTok video instantly went viral and Ocean Spray left the store's shelves in record time. It was so popular that members of Fleetwood Mac created their own versions. The video amassed millions of views and likes and created a boost for the Ocean Spray brand. Despite the unplanned creative and spontaneous user-generated branded content, Ocean Spray embraced the video and even bought Nathan a new truck. The viral success of this reel prompted the brand to revisit their social media strategy to encourage more user-generated content and authenticity.



WHY DID IT WORK FOR GEN Z?

The video was authentic, unique and relatable. Indescribable positive vibes were created for Gen Z viewers and buyers.



ENTERTAIN WITH FUNNY, PURPOSE-DRIVEN ADS

Advertising to Gen Z is about more than identifying the influencer most relevant to a brand's target audience, especially in comparison to baby boomers. Zoomers like ads that are funny, creative, entertaining and aligned with their social messaging, and they're less concerned with whether the ad is explicitly informative. This is presumably because zoomers are more accustomed to looking up product information online. More than half of boomers, meanwhile, are more likely to prefer ads that are relevant to their shopping interests. They are much less likely than zoomers to want social messaging in their advertising.

Zoomers are more sensitive to having their media experience being interrupted by advertising. Perhaps this is due to the proliferation of ad-blocking software on web browsers or the option to skip ads on digital video platforms. It could also be a result of streaming platforms that offer ad-free premium subscriptions. Either way, they find advertising more jarring than older consumers.



When Ads Slay:



	GEN Z	BABY BOOMERS
The ads are creative and entertaining	52%	42%
The ads are funny	43%	39%
The ads are about a sale or promotion for a product I buy	36%	52%
I am aligned with the social messaging of the ad	17%	6%

SOURCE: NCSolutions Consumer Sentiment Survey, 2023 Gen Z

When Ads Are Cringy:



	GEN Z	BABY BOOMERS
The ads interrupt my content	58%	38%
The ads are too loud	44%	51%
The ads push a social message that isn't aligned with mine	35%	44%
I see an ad for a product that I have just purchased	18%	6%

SOURCE: NCSolutions Consumer Sentiment Survey, 2023 Gen Z



LIQUID DEATH KILLS BORING CONTENT

What La Croix is for millennials, Liquid Death is for Gen Z. The canned water brand has an irreverent and offbeat marketing presence and is immensely popular with zoomers. Its hilarious and sometimes shocking advertisements are a huge hit with Gen Z.

In addition to a commitment to creating highly entertaining advertising, it doesn't hurt that Liquid Death's tagline is #deathtoplastic. This eco-focused mission combined with funny and entertaining ads proves to be the right elixir for this beverage brand.



WHY DID IT WORK FOR GEN Z?

The brand creates a funny and entertaining blend of advertising and content. Liquid Death understands who its buyers are and delivers content they love to gulp down.



CONVENIENCE IS THE ZOOMER WAY

It's only natural that quick and easy access to information and friends has cultivated an expectation for convenience among Gen Zers.

When grocery shopping, 45% of Gen Zers most often shop at superstores. Zoomers are three times more likely to frequent convenience stores and two times more likely to visit drug stores compared to baby boomers.⁹

Zoomers are 26% more likely to buy groceries online for home delivery or pick-up. Similarly, they are 62% more likely to have used a restaurant delivery service (e.g., GrubHub, Uber Eats) in the past 30 days.¹⁰

Convenience Brands Gen Z Loves Most

TOP FOOD BRANDS PURCHASED BY HOUSEHOLDS WITH GEN Z MEMBERS



SOURCE: NCSolutions Purchase Data, February 2023

TOP BEVERAGE BRANDS PURCHASED BY HOUSEHOLDS WITH GEN Z MEMBERS



SOURCE: NCSolutions Purchase Data, February 2023



ZOOMERS:

- SHOP AT CONVENIENCE STORES FOR THEIR GROCERIES **3X MORE OFTEN THAN BOOMERS.**⁹
- **26%** BUY GROCERIES ONLINE FOR HOME DELIVERY OR PICK-UP.⁹
- **62%** HAVE USED A RESTAURANT DELIVERY SERVICE IN THE PAST 30 DAYS.¹⁰



MARKETING TIP

Understanding how your buyers shop and what they purchase is critical to brand growth. Make sure your purchase data represents the stores where your buyers shop like convenience, drug, grocery, e-commerce, discount, big box, and delivery apps.

⁹NCSolutions Consumer Sentiment, 2023 Gen Z

¹⁰Nielsen Scarborough USA+ 2022 Release 1



A BEAUTIFUL STORY ABOUT SHOPPING

When it comes to beauty products, Gen Z buys them from non-traditional locations. Zoomers are less likely to buy beauty products from superstores and grocery stores and more likely to buy from national chain beauty stores.

Zoomers are also much more likely to shop for beauty products online. They're **14% more likely to explore beauty trends and ideas on the internet** over the course of the last 30 days. Gen Z is **30% more likely to buy hygiene products online**, **14% more likely to buy cosmetics online** and **11% more likely to buy skincare products online** over the last six months, compared to the average consumer.¹¹

In fact, ecommerce is vital to all of Gen Z's purchase decisions. **Zoomers are 33% more likely to "heavily rely" on the internet to evaluate products before buying.**¹¹



ZOOMERS ARE FOUR TIMES MORE LIKELY THAN BOOMERS TO BUY BEAUTY PRODUCTS DIRECTLY FROM THE BRAND ONLINE.¹²

Beauty is So Much Better Online



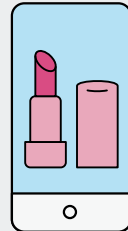
30%

MORE LIKELY TO BUY HYGIENE PRODUCTS ONLINE



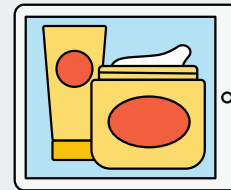
14%

MORE LIKELY TO USE THE INTERNET TO EXPLORE BEAUTY TRENDS



14%

MORE LIKELY TO BUY COSMETICS ONLINE



11%

MORE LIKELY TO BUY SKINCARE PRODUCTS ONLINE

SOURCE: Nielsen Scarborough, USA+ 2022



¹¹Nielsen Scarborough USA+ 2022 Release 1

¹²NCSolutions Consumer Sentiment, 2023 Gen Z



BEAUTY IS IN THE EYE OF THE INFLUENCER

Beauty brands have seen excellent results in wooing Gen Z by utilizing influencers. By its nature, influencer content is authentic and organic. Many videos embedded in social media feeds don't seem like paid promotions; they come across as homemade video clips.

Rihanna's Fenty, Dove, and Urban Decay are just a few brands utilizing this powerful channel with much success. Popular video types among influencers are box openings and makeup applications. But the message behind the brand is very important too.

Dove, for example, relates to buyers with its Real Beauty Campaign — reframing the conversation about what is beautiful. Recently, the brand asked its users to turn their backs on the TikTok glamour filter.

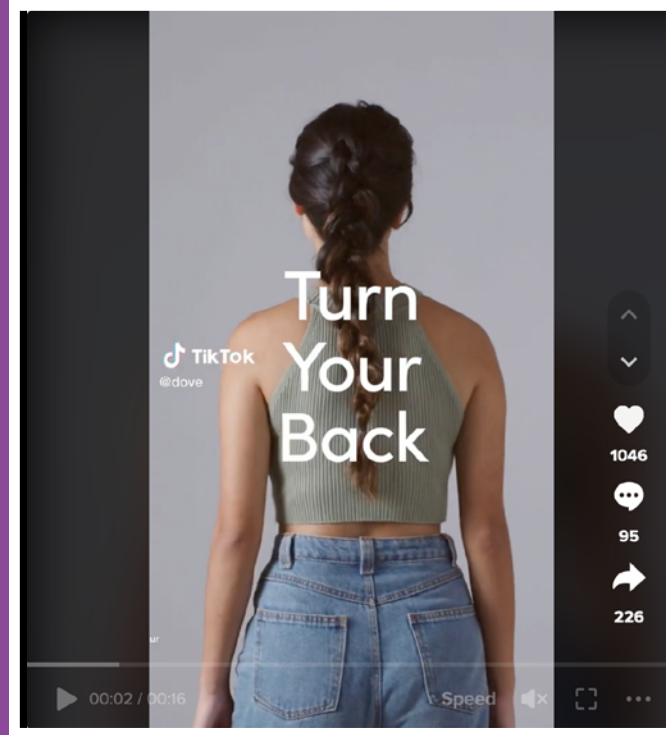
Fenty promotes an ecological approach by talking about the three R's — Reduce, Reuse, Recycle. As you invest in influencer channels, be sure to continue to promote your core message to your buyers across channels and measure your performance.

REDUCE
We're eliminating excess packaging everywhere we can. Some products still require protective paper boxes—which are recyclable.

REUSE
Refillable systems are the future: Buy once, then when it's time to re-up, all you need to purchase is the refill. It's less packaging and less expensive, but a more luxurious experience.

We're also incorporating PCR material—post-consumer recycled material—into our bottles, tubes and jars whenever possible.

RECYCLE
We're making it easier for you to recycle: On every product page, we're breaking down each product part by part. All of our shipping boxes are also



WHY DID IT WORK FOR GEN Z?

“Free to be me” is the zeitgeist of Gen Z, so brands can't just put on a happy face. They must prove they recognize beauty is more than skin deep.



MARKETING TIP

Gen Z may be on platforms you haven't tried yet. Trying new or untested methods for the first time can be intimidating for advertisers. The key to finding a winning strategy? Test different campaign elements and media partners.



BUILDING BRAND LOYALTY WITH GEN Z

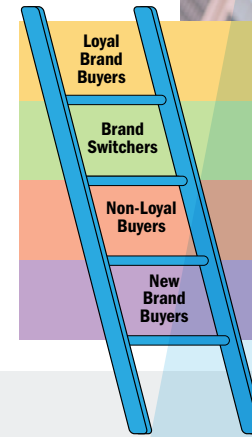
Brands face a unique opportunity. Gen Z is poised to be one of the most transformational generations, and they will hold sway over purchasing decisions for the next few decades.

But they're also very different from other generations. They enter the market with a clearer understanding of who they are, what they're passionate about and how to get what they want. They're not afraid to voice their opinions on channels such as social media.

If CPG brands want to build loyalty with Gen Z, they need to understand their lifestyles and motivations, and be ready to grow with them. Don't lose sight of proven and effective media strategies, like understanding who your buyers are and reaching them at the right time.

- Remind loyal buyers why they love your brand
- Target previous buyers to drive increased incremental sales
- Use in-flight optimization strategies for making the most of every dollar

They present a challenge for marketers, and those that succeed will find they have customers for life.



5 Ways Brands Can Build Loyalty with Gen Z

1 MEASURE AND LEARN

Astute marketers measure the incremental sales of their campaigns with solutions like NCS Sales Effect. When choosing a measurement partner, make sure they let you know which ads, frequency, platforms and audiences work best for your brand. Eliminate those tactics that aren't effective. Double down on those that do. Most CPG advertisers use sales lift as their primary KPI.

2 FINE-TUNE YOUR AUDIENCE TARGETING

Run more efficient campaigns by only advertising to households most likely to buy your product. Run loyalty campaigns targeted at your buyers or acquisition campaigns targeted at category buyers. Improve outcomes by using purchase-based audiences – those households who buy your product and/or the category at the store or online. Purchase-based targeting is three times more effective than other methods. It's no wonder that over two-thirds of CPG marketers use this approach when activating their campaigns.

3 YOUR CREATIVE MATTERS

Blend your content with advertising. Whether you are advertising on social media or TV, Gen Z prefers when ads look and feel like the content. Influencers are successful because their promotions aren't seen as advertising. Often, the viewer doesn't know they're even watching an ad. Experiment with different ad types and see which creative concepts create the most incremental sales.

4 BE TRUE TO YOUR BRAND

Don't just tell your audience what you believe. Demonstrate it in everything you do – including your advertising. This is great advice for any brand, but particularly important for winning over zoomers. These consumers want to align with brands that have values they identify with. Message the values you believe in and clearly communicate them in your marketing.

5 RAISE THE BAR ON CONVENIENCE

Meet Gen Z where they are – with ready-to-go CPG items. Product placement in the right stores – both in-person and online – is crucial for engaging this audience. Don't underestimate the value of message placement either. You'll have better outcomes when advertising, media and product are strategically positioned.

ABOUT NCS

NCS has been helping CPG brands, publishers and retailers improve advertising effectiveness for over a decade. With a mission to improve advertising effectiveness for all media, the NCS team has pioneered new ways to target, optimize, measure and enable sales-based outcomes. We're changing how CPG brands, publishers and TV networks view the possibilities of advertising.

Continuous innovation is the key to driving growth for our customers, propelling NCS forward.



ABOUT THE DATA

ABOUT THE CONSUMER SENTIMENT SURVEY

The online survey of 2,186 respondents, age 18 or older, was fielded from February 9-13, 2023. Half of the respondents consisted of Generation Z, with the other half representing baby boomers, Generation X and millennials. Responses presented in this survey were weighted by location, education, income and other demographics to be representative of the overall population.

ABOUT NCSOLUTIONS

NCS provides purchase insights to brands to help them optimize, measure, and enable sales-based outcomes. NCS's representative and balanced consumer CPG purchase data consists of the industry's preeminent and comprehensive sources. It is inclusive of actual purchase data (transaction information) from big-box retailers, supermarkets, drug stores, convenience stores and other retail channels at which American households buy CPG products spanning 340+ grocery categories. The NCSolutions Purchase Data was analyzed in February 2023.

ABOUT NIELSEN SCARBOROUGH

Nielsen Scarborough has been measuring media, retail and lifestyle habits on a national and local level for more than 40 years. Each year, we survey over 200,000 individuals across the U.S. Survey methodologies vary by local market with measurement tactics including phone interviews, survey booklets, television diaries and internet surveys. To learn more about the specific methodology employed in your market, contact your local Nielsen representative.