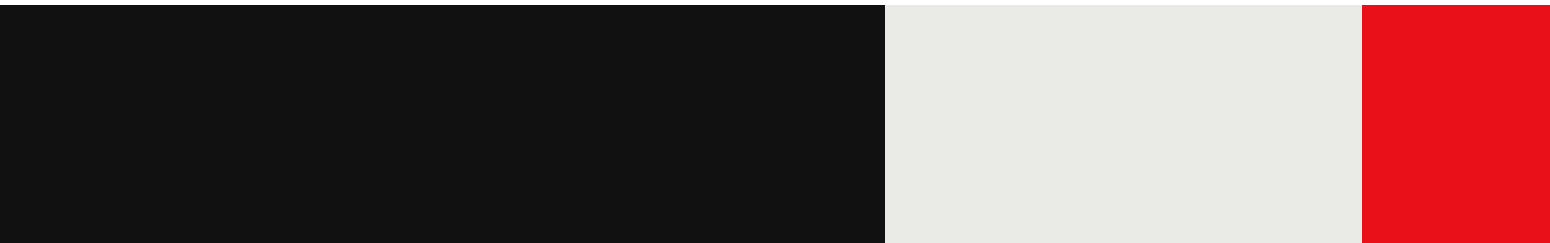


# Reimagining Retail: The changing ways Gen Zers are shopping and 3 campaigns that really worked with them

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how Gen Zers discover products; where they stand on buy now, pay later; and how loyal they really are to brands. Then, for "Pop-Up Rankings," we rank three campaigns that really worked with Gen Z. Join our analyst Sara Lebow as she hosts analyst Arielle Feger.

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## Episode Transcript:

Sara Lebow:

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Hello listeners. Today is Wednesday, November 29th. Welcome to Behind the Numbers: Reimagining Retail, an eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sarah Lebow. Today's episode topic is the changing ways Gen Z is shopping. Let's meet today's guests. Joining me for today's episode, we have analyst Arielle Feger. Welcome back. Arielle.

Arielle Feger:

Hi. Thank you. Happy to be here.

Sara Lebow:

Also with us on her first Retail podcast is senior editor Catherine Ollinger. Hey Catherine, welcome to the pod.

Catherine Ollinger:

Hey, Sarah. Very excited and honored to be here.

Sara Lebow:

Honored to have you.

Arielle Feger:

Now I'm not the newbie. I'm not the newbie.

Sara Lebow:

Yeah, we're expanding our Reimagining Retail Cinematic Universe, or RRCU. It's growing every episode. Okay, let's get started with free sample, our did-you-know segment where I share a fun fact tidbit or question. I've got a quiz for you today, which is, how many turkeys are killed each year for Thanksgiving?

Arielle Feger:

This is a depressing question. I'm not a vegetarian, so it's depressing.

Catherine Ollinger:

I am.

Sara Lebow:

Any guesses at all?

Arielle Feger:

I'm going to say 100 million.

Sara Lebow:

Catherine, any guess from you?

Catherine Ollinger:

Oh my gosh, I'm going to go lower. I'm going to say 20 million.

Sara Lebow:

It's in the middle. Catherine's closer. It is 45 million, according to the 2017 Time article referencing the National Turkey Federation.

Catherine Ollinger:

Interesting.

Arielle Feger:

I really love Turkey. So in my ideal world, everyone gets two turkeys for Thanksgiving.

Sara Lebow:

You're a turkey fan? And then Catherine, you're a vegetarian. You didn't enjoy Turkey last week?

Catherine Ollinger:

I am, but I didn't enjoy it even when I wasn't. I will say I always found it to be kind of dry. I know that's what the gravy's for, but it was just never my favorite.

Sara Lebow:

Yeah, I was a vegetarian as a kid and I made practice of eating all sides. My follow-up for both of you is, what are your thoughts on that news story that circulates every year that's like, "Turkey makes you sleepy because of the science in the Turkey." Do you think that's true?

Arielle Feger:

No, I think it's just eating a lot makes you sleepy and I'm cool with it.

Sara Lebow:

Also, different parts of the country, different cultures I know eat Thanksgiving dinner at different times. I know it's more of a lunch situation. I always eat it at dinnertime, so I'm tired after because it's the night, which is when I get tired. Okay, let's keep moving. Now it's time for our next segment, retell me this, retell me that, where we discuss an interesting retail topic.

Today's topic is the changing ways Gen Z is shopping. We're in the holiday season, so I'll start off with some holiday stats. 81% of Gen Z and Millennial shoppers say they're ready to splurge this holiday season, but 62% say they are not financially prepared to do so. Ready to splurge, not financially prepared to do so, who can't relate? That's according to Harris Poll data. If brands actually want to capitalize on Gen Z's increasing spending power, and I know that they do, they'll need to know where to meet Gen Z. So let's follow Gen Z down the purchase funnel starting with discovery. Arielle, I'm going to start off with you. How does Gen Z's product discovery behavior differ from older generations?

Arielle Feger:

So going to start with search. I think granted, all generations I think are changing their search behaviors, but Gen Z especially is moving away from the traditional search engines like Google and turning more towards Amazon, Walmart, or TikTok to find purchase inspiration. So according to Jungle Scout, 58% of Gen Z'ers said they start their product searches on Amazon. 43% said they start on Walmart.com, and 43% said they start on TikTok, and that TikTok stat is compared to 19% of the total population. So Gen Z is really over indexing on searching elsewhere, so I think the first and foremost thing people need to understand is they're not starting on Google, they're starting where they're spending time, which is social or on Amazon.

Sara Lebow:

Yeah, that's definitely something that Google has on its radar. We saw two weeks ago Google announced an AI tool where you type in your product and Google will generate a false product image and then give you listings for similar products. That makes no sense to me. If I'm on Google, I don't want to see a product that doesn't exist, and if I already know that I want a product that looks a certain way, if I'm already typing it in, I don't need to see a picture of what it is, either. But Google is definitely trying to innovate and keep those searchers, those shoppers, in its funnel.

Arielle Feger:

Yeah, I think Google's trying to go after what Pinterest has, where I think a lot of people turn to Pinterest for winter holiday inspiration decorations, but that's more of a mood, whereas the idea of creating a fake product, like you said, it doesn't make a lot of sense.

Sara Lebow:

Yeah. Catherine, anything to add here?

Catherine Ollinger:

Well, I really agree with Arielle. I think we're seeing that Amazon, though it remains comfortably on top in terms of where people are searching for items in general, TikTok is really quickly climbing in the rankings, and that's really driven by younger consumers like Gen Z and their affinity for social search. And so actually, there was an interesting survey from Her Campus Media. They found that 74% of Gen Z internet users use TikTok as a search platform, with 51% saying TikTok is their preferred search engine over Google. So that's pretty massive. And then also there was another... I think Arielle may have mentioned from the Jungle Scout, the 43% of Gen Z consumers, they start their online product searches on TikTok, which is a lot higher compared with Google. So it definitely makes sense. It's probably not a surprise, but the numbers are pretty astounding.

Sara Lebow:

This is anecdotal, this is survey of one, but TikTok and Google also don't really interface that well together. If you're looking for something on TikTok, you're not going to start on Google. I was just for what I swear were work related reasons searching for TikToks related to Travis Kelsey, and since I was on my computer, I was searching them on Google, and that really doesn't work. You really have to be making those searches on TikTok.

Arielle Feger:

Yeah. Also, I wanted to say a key piece of the puzzle I think is also... I know we're going to talk about how Gen Z's purchased in a little bit, but related to this TikTok search is a lot of Gen Zs are using it for product inspiration, but they might not be actually purchasing on TikTok shop. So data from ESW says 53% of consumers ages 18 to 29 will use TikTok for holiday shopping inspiration, but only 8% will buy the gifts from TikTok shop, if that's available through TikTok shop. So there is a misalignment between inspiration and discovery versus actually making that purchase.

Sara Lebow:

Yeah, that's I think one of the struggles of social commerce in general. Let's follow that. Let's follow Gen Z down their purchase funnel. Our Gen Z'er has discovered their product. They know what they want to buy. Let's talk about those purchase habits a little further. So Catherine, how do Gen Z purchase habits differ from older siblings?

Catherine Ollinger:

Well, it's interesting. I think there are definitely some things that divide the generations and there are some that really connect them, and while everyone is facing economic pressures, definitely Gen Z says they want to keep spending, but actually the data show that they are cutting back a little bit. So there was some interesting recent data from Piper Sandler's semiannual Gen Z survey, and so the self-reported spend dropped 1% year over year in September and was down 4% compared with the spring. So Gen Z is not immune to what's going on in the economy and the price sensitivity. We're also seeing that they're switching to off-price more and more so than other generations. This is what Piper Sandler saw as well in its survey, and they saw that for Gen Z. Off-price gained 545 basis points year over year, and then also e-commerce is gaining more and more steam, which we know already.

Sara Lebow:

Man, I wish I were that person who says that they want to spend more, but is actually spending less, but I am that person who says that they want to spend less and is actually spending more.

Arielle Feger:



Speaking of spending less, I think that's a really interesting thing, especially as we're squarely in the holiday season, thinking about fast fashion companies like SheIn or really ultra low price companies like Temu, a lot of Gen Zs will flock to those companies even though they acknowledge that maybe they're not super sustainable or they don't have the best business practices. And so I think that's also a disconnect with Gen Z is they say they care about brand values and I believe that they do, but when it comes down to it, the dollar is going to be... the ultimate deciding factor is, "Do I have the budget for this? No." So I think sometimes the values they want to uphold and the purchasing decisions they're making don't match up.

Catherine Ollinger:

Yeah, and I think there are interesting reasons for that. Not that it excuses anything, but it makes sense because Gen Z is on social. They're on social media, and SheIn has spent so much money for its marketing and advertising. You can't avoid those images. I've never made a purchase once on SheIn and I'm inundated with those ads. And so given that Gen Z is there and they're facing this economic uncertainty and price sensitivity, it goes hand in hand. I believe that they do have these values and they are shopping at SheIn.

Sara Lebow:

Yeah, there are always all these grumpy headlines that are like, "Gen Z says they have values," but it makes sense as a purchase behavior. Following our Gen Z'er on their journey, it is time to click buy. They know what product they want, it's in their cart, it's time to click buy. So next year, more than half of Gen Z digital buyers will use buy now, pay later services like Klarna and Affirm, putting them ahead of any other generation, including Millennials, in terms of use according to our forecast. What are the implications of this BNPL trend?

Arielle Feger:

It's a really interesting thing because obviously, a lot of Gen Z'ers are jumping onto BNPL because they either don't want to embrace traditional credit cards or don't have the credit yet, but it's still effectively very similar. Debt is debt. So I think that there's going to be an increase in how they use them, but it is, especially with the tough economic climate and budgets, I think that there could be a bubble burst at some point. But certainly this holiday season, I think we're going to see a lot of use of buy now pay later. Adobe Analytics expect that \$17 billion of online spending in November and December will be via buy now pay later

services, so that's a big chunk of change. So consumers are really going to use that to be able to afford their holiday gifts this season, Gen Z especially.

Catherine Ollinger:

Yes, absolutely. I think BNPL is increasingly a need to have, not just a nice to have, and especially for Gen Z. There was a payment survey that found 27% of Gen Z will not buy something if BNPL isn't at least an option.

Sara Lebow:

Wow.

Catherine Ollinger:

So that's pretty astounding. That's almost a third of them, and 39% from the same survey said that they're using BNPL for clothing, 11% for grocery, 10% for consumer electronics. Those are pretty big numbers. It's really something that retailers need to think about. And going back to your first point, Arielle, about debt and spending, Gen Z actually has the fastest growing credit card debt of all generations. This is per Credit Karma data. However, they still have the overall lowest amount of debt. Obviously they're younger, but they're catching up.

Arielle Feger:

Yeah.

Sara Lebow:

Yeah, Catherine, that reminds me of something that our colleague Susie has said on this podcast in terms of offering BNPL, which is that Susie has pointed out that if you offer buy now pay later, but you don't offer it until the point of checkout, you're missing the mark because that individual has already decided to make that purchase, so you don't really need to offer them discounts or buy now, pay later, but if you offer it earlier, if you have that... I know that Madewell product listing and it says available with Klarna or with Affirm, then it can influence that behavior.

Arielle Feger:

Absolutely.

Sara Lebow:

Okay, so finally our Gen Z'er has their product, they've purchased their product. The brand's job now is to make that person a repeat purchaser. That begs the question, are Gen Z'ers brand loyal?

Arielle Feger:

That's a really good question, and the answer is yes and no. I think that there are brands that really capture Gen Z's heart and Gen Z's dollars, but they're also not afraid to call brands out that are messing up or don't align with their values. So I think two of the most important keys in keeping Gen Zs engaged with your brand, one is not going to be surprising. The first is authenticity. We have all heard it again and again, Gen Zs know brands. They're going to call you out if they don't feel like your marketing is resonating. So that's got to be top of mind. But the second thing I think is community, and I think brands that give not only opportunities for brand and consumer collaborations, but also consumer and consumer collaborations, I think they're really going to continue to keep Gen Zs engaged and buying their products.

Sara Lebow:

Yeah, like establishing some sort of what it means to be a Hoka consumer, creating value associated with that.

Arielle Feger:

Exactly, and you think about brands like Kendra Scott and Bama Rush, right? You have a community of Gen Z'ers who are all experiencing the same thing going through Rush and wearing Kendra Scott jewelry, and it's a way that connects them all. And recently, Kendra Scott did a college tour where they had in-person quizzes and immersive experiences, so that again, leveled up this idea of the college community and really immersed Kendra Scott into that experience.

Sara Lebow:

Love this talk of examples. Definitely have more of those coming. So let's keep moving. Now it's time for pop-up rankings, where we take a look at specific examples and we rank them. Today we'll rank, in no particular order, three campaigns that really worked with Gen Z and what we can learn from them. Arielle, why don't you kick us off with our first campaign?

Arielle Feger:

So I'm going to go with the McDonald's Grimace shake.

Sara Lebow:

Yes.

Arielle Feger:

So earlier this summer, McDonald's created a purple milkshake as part of a Grimace birthday meal campaign. Sara, I know personally you are a big fan of Grimace-

Sara Lebow:

Big Grimace fan.

Arielle Feger:

... and all McDonald's... yes, mascots. So what's I think really interesting about this trend is that it didn't go the way McDonald's maybe had planned. Instead, it went viral on TikTok, but it went viral because Gen Z'ers were making videos of themselves pretending to pass out or die after drinking the milkshake. And while some brands might be worried about that, McDonald's let it roll, and they even jumped on the bandwagon making a tweet with a picture of Grimace saying, "Me pretending I didn't see the Grimace Shake trend." So they had fun with it. They weren't trying to get people to stop doing it. They were really playing into it, and that worked. Grimace Shake has 3.8 billion views on TikTok.

Sara Lebow:

Wow.

Arielle Feger:

In the second quarter, McDonald's net sales rose 14% to \$6.5 billion. And even on the earnings call, the CEO said, "This quarter, the theme was Grimace." So it definitely paid off, and I think McDonald's really letting Gen Z run with the trend and not trying to overcorrect it really worked well for them.

Sara Lebow:

I have to commend McDonald's on this one, because it's really hard to make "this product kills people" work for your brand, especially if you're food and beverage.

Arielle Feger:

But they did.

Sara Lebow:

But they understood that no one was actually thinking the Grimace shake is poison. They understood that and they leaned into that, and they didn't lean into it too much. They let creators organically lead the way instead of creating a whole bunch of their own content.

Arielle Feger:

Exactly.

Sara Lebow:

Yeah. This is our second podcast in a row with me talking about how much I love Grimace. I'm a big Grimace fan. I'm deeply familiar with Grimace's lore and his history and can't wait to see what else McDonald's does with Grimace. I feel like I'm sharing a piece of me with the world. Okay. Catherine, can you give us another example of a campaign that really worked with Gen Z?

Catherine Ollinger:

Sure, absolutely. Well, there was the very popular IKEA and Pinterest partnership that happened a little bit ago. So essentially, IKEA partnered with Pinterest about a year after nixing its print catalog, and the idea was to create this quiz experience that Pinterest users could take to match them with custom home goods options. And so it was an interactive thing and it learned user preferences and created these personalized user boards filled with product recommendations and inspiration. And this really makes sense because especially a bit ago before the housing market became what it is now, Gen Z is largely in their twenties now. I think the oldest ones are now moving into their late twenties, so it's definitely a time when people are thinking about home goods, thinking about moving, and so it really made sense. Also, IKEA this year finally enabled BNPL, which we already mentioned is super popular with Gen Z.

Arielle Feger:

There you go. They're really trying to move in and get that consumer base.

Sara Lebow:

Especially useful because they're big ticket items. IKEA is still considered low cost furniture, but furniture isn't cheap.

Arielle Feger:

No, it's not. And I think that's a great way... I think coming up on social media... I'm a Millennial. I think mood boards and all of that stuff is really, really popular. And so to be able to dig into that trend and have a personalized board made for you with things you can just buy is such a good way to get people on board.

Sara Lebow:

I think a niche I could really get into is being a creator who puts together IKEA furniture. I think I'm really good at putting together IKEA furniture. This is something I'm convinced about myself. I have a talent for it. So IKEA, if you want to send me a bunch of your furniture, let me into your warehouse, I'll just put it together and make videos of it. I'm good at it.

Arielle Feger:

I think that you need to do that, but then you also need to include someone who's very bad at putting together furniture and the two of you work together. I think that could be a hit.

Sara Lebow:

Someone who's just so terrible at it. We could certainly go head-to-head.

Arielle Feger:

Could be me. I am pretty bad at it, so I volunteer.

Sara Lebow:

Okay. I get the third campaign that really worked with Gen Z, so I will share my example. This is something I wrote about back in October. It is e.l.f. Cosmetic's campaign, e.l.f. Beauty's campaign with TikTok creator and media personality, Chris Olsen. This is something that Chris Olsen and the chief brand officer of e.l.f., Laurie Lam, talked about at Adweek, and I got to see them speak. And I thought it was really insightful. So this campaign was called Makeup Over Makeup, and it was a YouTube video and also series of TikToks that included this well-known TikToker, Chris Olsen, making up, reconciling with an ex who he went through a high profile

breakup with. If you are a fan of his, then it was an, "If you know, you know," situation, and giving each other makeovers while they had that conversation. I think that this worked really well.

I think e.l.f. in general is really good at TikTok and really good at Gen Z. They have the advantage of being low price beauty products, which is already something that's going to work with Gen Z. Gen Z loves beauty and they love dupes, and e.l.f. was founded on not necessarily dupes, but drugstore beauty that used to have this stigma and now is something that they lean into. So I think this worked really well because of what you said before, Arielle, authenticity. This is two exes having the most awkward conversation in the world, but they're both funny, they're both endearing, they're both true product users. They're both men, which is really great for a beauty campaign, because it's not something you necessarily see, so it also expands up their audience. And it worked because it was really genuine to this creator, Chris Olsen's brand. e.l.f. didn't attempt to do something with a creator that it wouldn't work with. They did something with a creator that they knew this would be in line with his work.

Catherine Ollinger:

Yeah. e.l.f. is such a great example of actually an interesting phenomenon that's going on within the price sensitivity that we're seeing in general. Within that, there's this lipstick effect, which I know we've had a whole podcast dedicated to, which is basically, essentially for those who don't know, where people continue to spend on beauty, even as they cut back in other areas in times of economic hardship. So e.l.f. is interesting because it shows that people are price sensitive, but they still want to spend on beauty and this idea of dupes, right? e.l.f. actually is approaching the \$1 billion sales mark this year. Their revenues jumped 76% year over year last quarter, and so they're exploding and they really credit a lot of that to Gen Z and also Millennials looking for these dupes or these lower cost alternatives to maybe something that otherwise they would've bought at Sephora, but they don't want to not buy, right? They want to keep buying beauty.

Sara Lebow:

Catherine, I'm very impressed by you pulling e.l.f. earning stats just out of the air.

Catherine Ollinger:

That's what we write about. Subscribe retail e-commerce [inaudible 00:22:23]

Sara Lebow:

That is impressive, and I definitely agree with you. They also have made other cool partnerships. They had one with Jennifer Coolidge that has sold out I think a number of times, which I also think that they maybe leaned into scarcity intentionally to make that go even more viral. You can't find this Jennifer Coolidge product anywhere. And Jennifer Coolidge, another really fascinating person to work with. Not a traditional creator and an actress, but someone who's really having a renaissance, really has a specific look, and it's definitely a look that you associate with makeup. She is not leaning into a natural look. She is leaning into a makeup look, so why not partner with her?

Arielle Feger:

I'm all here for the Jennifer Coolidge renaissance. It's been really great to see. As someone who grew up with American Pie and seeing her as Stifler's mom, it's really great to see her have more roles now.

Sara Lebow:

Yeah, for me, this is Legally Blonde.

Arielle Feger:

Oh, yep, that too.

Sara Lebow:

Okay, well, that is all we have time for today, so thank you, Arielle.

Arielle Feger:

Thank you. It was such a fun time.

Sara Lebow:

And thank you, Catherine.

Catherine Ollinger:

Thank you.

Sara Lebow:



Please give us a rating and review wherever you listen to podcasts, and follow us on Instagram @InsiderIntelligence. Thank you to our listeners and to Victoria who edits the podcast and keeps us feeling young. We'll be back next Wednesday with another episode of Reimagining Retail: an eMarketer Podcast. And tomorrow, join Marcus for another episode of the Behind the Numbers Daily.