RETAIL MEDIA AND THE CPG CONSUMER

ADADAPTED

INTRODUCTION

Retail media networks (RMNs) are on fire. Fueled by a potent mix of first-party shopper data and captive audiences within retailer apps and websites, RMNs have seen explosive growth over the last decade, generating a staggering $46.4 billion in revenue in 2023 (eMarketer). Projected to nearly tie social media as the number two ad channel by 2027 (right behind search), RMNs are a force to reckon with.

Numerous studies have explored how advertisers view RMNs. **However, while often considered, it is rare we hear directly from the consumer themselves.** Understanding how shoppers perceive and engage with RMNs is a boon for brand marketers who want to leverage these powerful networks.

EXPLORE FINDINGS FROM OUR SURVEY OF 1,000+ US CONSUMERS TO PROVIDE INSIGHT INTO HOW CONSUMERS ENGAGE AND ARE INFLUENCED BY GROCERY RETAILERS' WEBSITES AND APPS

This report, *Retail Media and the CPG Consumer*, is finally able to bridge this gap. AdAdapted's recent survey of over 1,000 U.S. consumers presents insights into shopper engagement and receptiveness to grocery retailers' digital properties and RMN advertising. This knowledge empowers CPG brand advertisers to optimize their RMN investments and craft a holistic media strategy that resonates with the shoppers who matter most.

KEY INSIGHTS

01 PARTICIPATION BY THE NUMBERS

For most consumers, visiting grocery retailer websites and apps has become a consistent part of their weekly shopping routine.

02 HOW CONSUMERS USE GROCERY RETAILER'S WEBSITES AND APPS

While some visitors purchase groceries online, surprisingly, surveyed consumers revealed it was not their leading motivator for visiting retailer websites and apps.

03 THE RMN ADVERTISING EFFECT

The good news for marketers is that RMN advertising influences purchase decisions; however, understanding when and how those purchases occur is critical for optimizing a brand's digital ad strategy.

04 FOUR STRATEGIES TO COMPLEMENT RETAIL MEDIA NETWORKS

The conversation should never be a competitive debate pitting the newcomer retail media networks against other forms of media. Instead, the focus should be on complementing retail media by utilizing a holistic approach that maximizes advertising value.

01

PARTICIPATION BY THE NUMBERS

For many consumers, visiting their favorite grocery retailer's website or app has become part of their weekly shopping routine. Of consumers surveyed, 61.3% confirmed visiting their grocery retailer's website or app at least once a week, with 19.8% stating they visit those digital properties multiple times weekly. This digital engagement cuts across generations with a surprising twist.

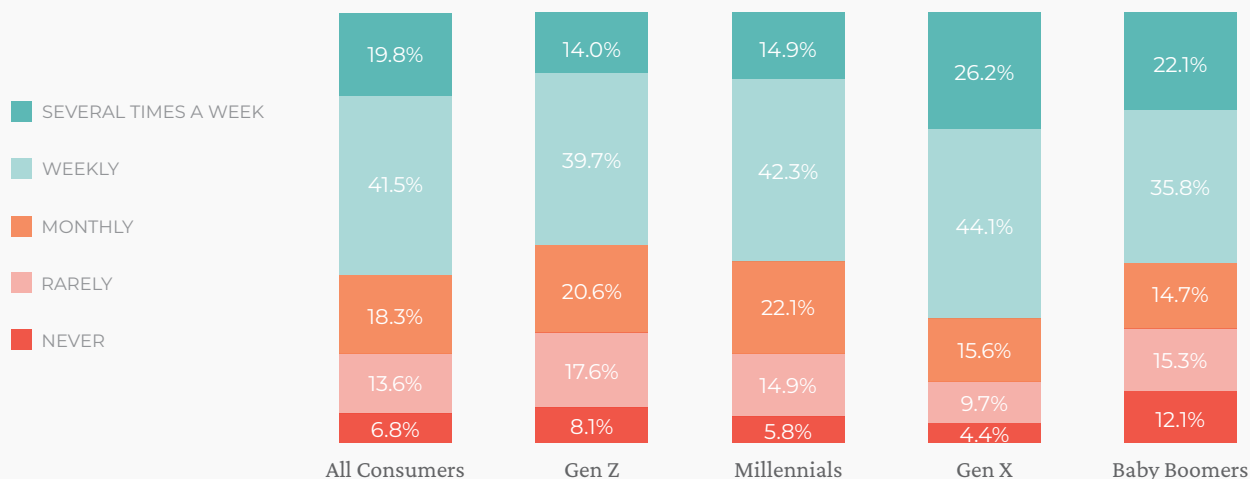While all age groups embrace grocery websites and apps, Gen X (born between 1965 and 1980) is the most active demographic user group. A whopping 70.3% of Gen Xers visit grocery apps and websites at least once a week with 26.2% visiting several times a week. Meanwhile, Gen Z (born between 1997 and 2012 and often referred to as digital-first) is the least frequent visitor group, with 53.7% visiting retailer digital properties at least once a week with 14.0% visiting several times a week.

61.3%

OF CONSUMERS VISIT THEIR GROCERY RETAILER'S WEBSITE OR APP AT LEAST ONCE A WEEK

USE OF GROCERY STORE DIGITAL PROPERTIES
How often do you visit your grocery store's website or app?

	All Consumers	Gen Z	Millennials	Gen X	Baby Boomers
SEVERAL TIMES A WEEK	19.8%	14.0%	14.9%	26.2%	22.1%
WEEKLY	41.5%	39.7%	42.3%	44.1%	35.8%
MONTHLY	18.3%	20.6%	22.1%	15.6%	14.7%
RARELY	13.6%	17.6%	14.9%	9.7%	15.3%
NEVER	6.8%	8.1%	5.8%	4.4%	12.1%

NOT EVERYONE'S A WEEKLY REGULAR

While a significant portion of surveyed shoppers have embraced using grocery apps and websites as part of their weekly routine, a sizeable minority (38.7%) are not regular visitors (monthly, rarely or never). Understanding why consumers choose not to use grocery digital properties is crucial to reaching them during their shopping journey.
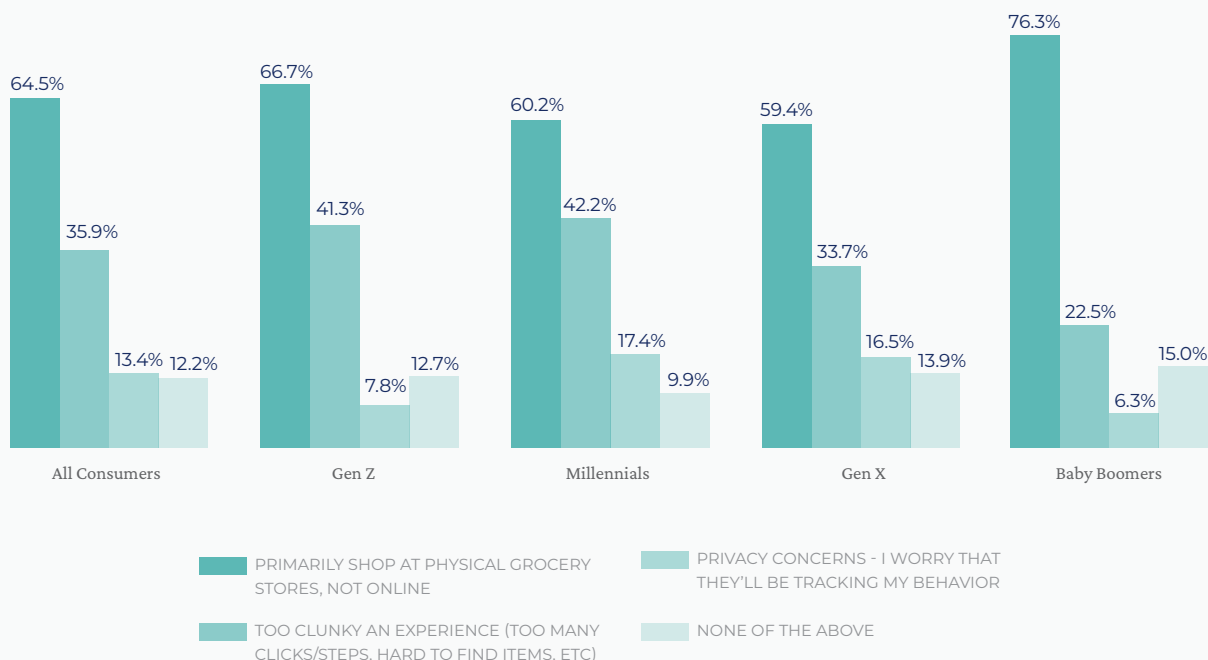
When asking infrequent visitors why they do not regularly use retailer websites and apps, the answer was clear: 64.5% said they primarily shop at physical stores and see little value in using grocer's website or app. This in-store shopping preference held steady across generations, with baby boomers (76.3%) and Gen Z (66.7%) leading the pack.

Beyond an in-store shopping preference, another hurdle emerged for infrequent digital property users: a poor user experience. Of the surveyed consumers, 35.9% cited frustration with "too many clicks," confusing navigation, or difficulty finding items on retailers' digital platforms.

Interestingly, privacy concerns, a frequent topic in digital marketing, trailed behind the top reasons shoppers avoided retailers' digital properties, with only 13.4% of respondents listing it as an issue. The survey suggests that for grocery shoppers, physical store preference and frustrations with the user experience outweigh data privacy worries.

INFREQUENT USERS OF GROCERY DIGITAL PROPERTIES (MONTHLY OR LESS)

Why don't you like to visit your grocery store's website or app? (mark all that apply)

Legend:
- PRIMARILY SHOP AT PHYSICAL GROCERY STORES, NOT ONLINE
- TOO CLUNKY AN EXPERIENCE (TOO MANY CLICKS/STEPS, HARD TO FIND ITEMS, ETC)
- PRIVACY CONCERNS - I WORRY THAT THEY'LL BE TRACKING MY BEHAVIOR
- NONE OF THE ABOVE

	All Consumers	Gen Z	Millennials	Gen X	Baby Boomers
Primarily shop at physical grocery stores	64.5%	66.7%	60.2%	59.4%	76.3%
Too clunky an experience	35.9%	41.3%	42.2%	33.7%	22.5%
Privacy concerns	13.4%	7.8%	17.4%	16.5%	6.3%
None of the above	12.2%	12.7%	9.9%	13.9%	15.0%

02

HOW CONSUMERS USE GROCERY RETAILER'S WEBSITES AND APPS

Grocery retailers offer many reasons to visit their apps and websites, from deals and coupons to recipe inspiration. Unsurprisingly, saving money is at the top of consumers' minds, with nearly half (49%) of surveyed shoppers citing deals and coupons as a frequent motivator for visiting retailers' digital properties.
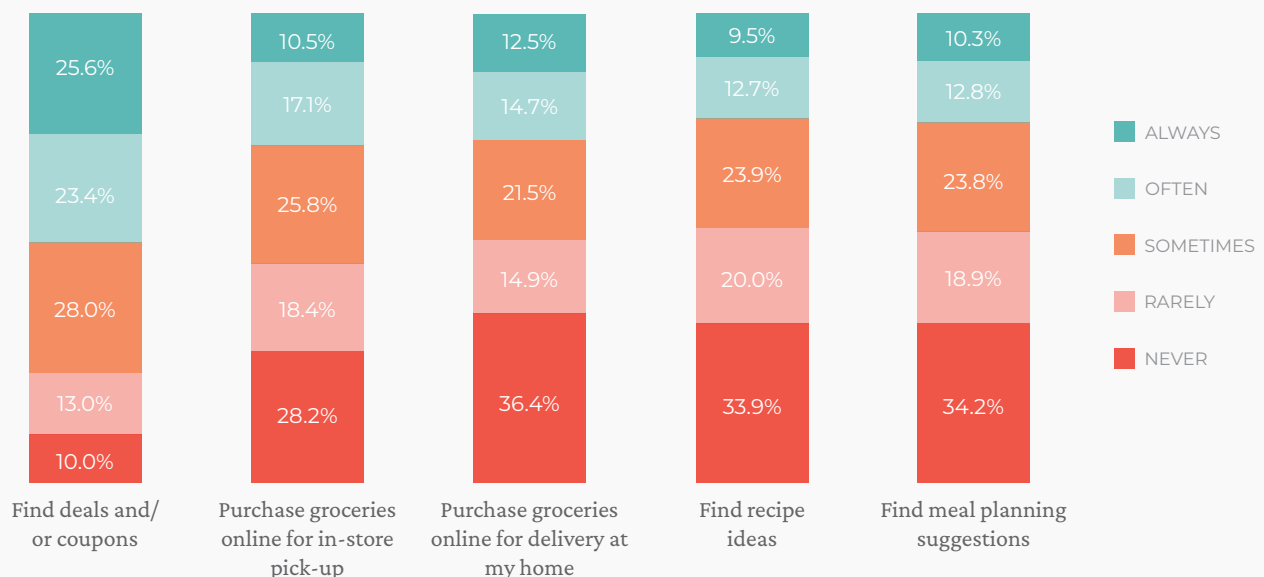
Only 37.9% of consumers purchase groceries from grocery store websites or apps, whether for in-store pick-up or home delivery. Furthermore, when asked how they fulfill their online grocery purchases, 27.2% said they regularly (often/always) opt for home delivery, while 27.6% regularly choosing in-store pick-up.

AdAdapted's recent research in The CPG Pre-Shop Planning Report, revealed that **recipes heavily influence what consumers put on their grocery lists**, with 63.5% of surveyed shoppers noting their importance. However, far fewer consumers get recipe and meal planning value from grocery retailer websites and apps. Only 22.2% of surveyed consumers indicated they often/always visit digital properties to find recipes, and only 23.1% indicated they often/always find meal-planning suggestions on retailers' websites or apps.

REASONS WHY CONSUMERS VISIT GROCERY WEBSITE PROPERTIES
Why do you visit your grocery store's website or app?

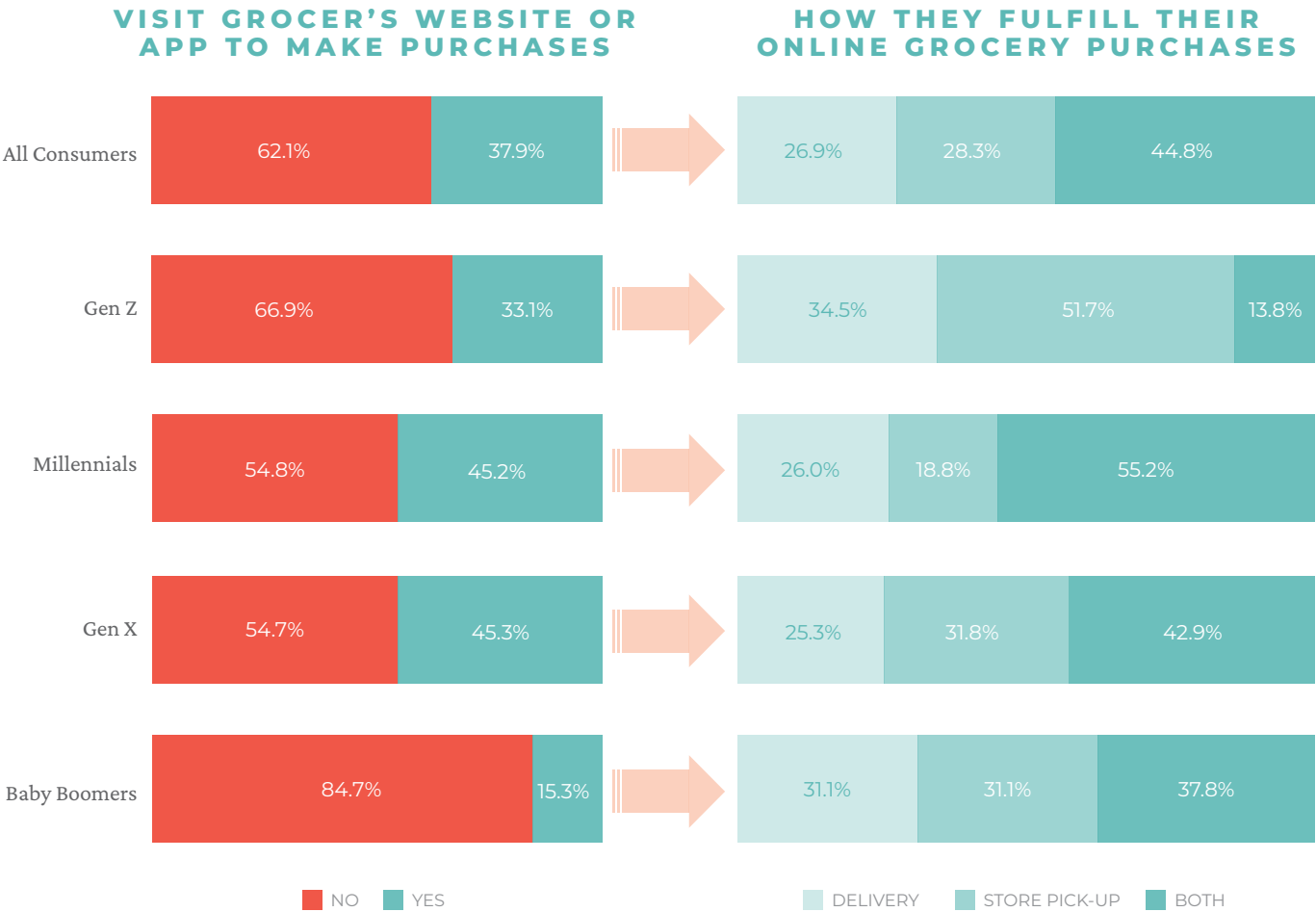|	Find deals and/ or coupons	Purchase groceries online for in-store pick-up	Purchase groceries online for delivery at my home	Find recipe ideas	Find meal planning suggestions
ALWAYS	25.6%	10.5%	12.5%	9.5%	10.3%
OFTEN	23.4%	17.1%	14.7%	12.7%	12.8%
SOMETIMES	28.0%	25.8%	21.5%	23.9%	23.8%
RARELY	13.0%	18.4%	14.9%	20.0%	18.9%
NEVER	10.0%	28.2%	36.4%	33.9%	34.2%

6

ONLINE GROCERY SHOPPING: GENERATIONAL TRENDS AND FULFILLMENT PREFERENCES

Our research reveals that across all generations, the majority of consumers do not regularly purchase groceries online. Millennials (45.2%) and Gen Xers (45.3%) demonstrate the highest online grocery purchase frequency. Gen Z (33.1%) still exhibits a notable online grocery purchasing presence, albeit at a lower rate than their older counterparts, while baby boomers (15.3%) are the least likely to embrace online grocery shopping.

Among those who do purchase groceries online, fulfillment preferences vary considerably by generation. While only 26.9% of all consumers regularly utilize home delivery, 28.3% exclusively opt for in-store pick-up. Interestingly, a significant portion (44.8%) leverage a combination of both delivery and pick-up, highlighting a desire for flexibility. This preference for a hybrid approach is most pronounced among millennials (55.2%), who demonstrate the strongest combined use of delivery and pick-up options while Gen Xers favor hybrid (42.9%) but slightly less than their millennial counterparts. Conversely, Gen Z leans more heavily towards in-store pick-up (51.7%), while baby boomers (skewed towards traditional in-store experiences) slightly favor a hybrid approach (37.8%).

VISIT GROCER'S WEBSITE OR APP TO MAKE PURCHASES

HOW THEY FULFILL THEIR ONLINE GROCERY PURCHASES

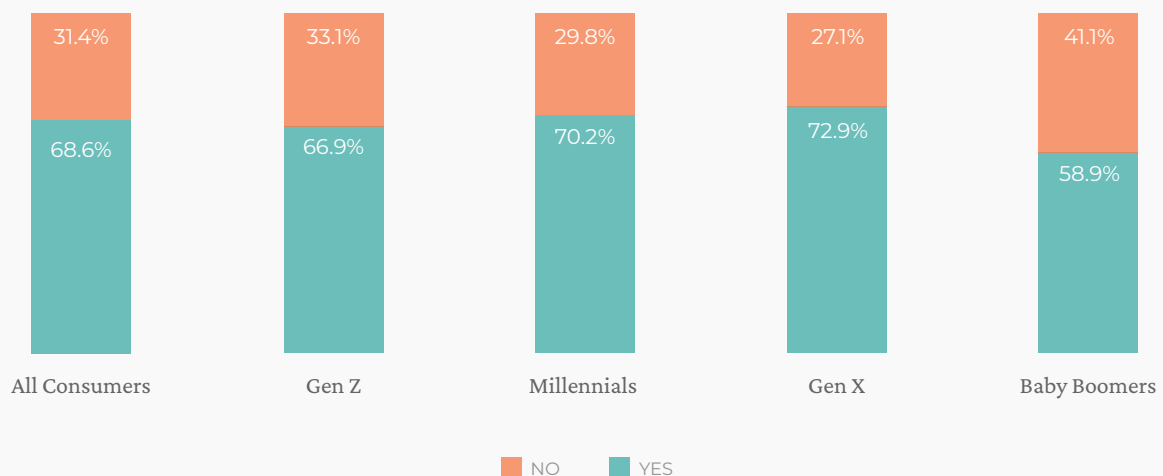|	NO	YES		DELIVERY	STORE PICK-UP	BOTH
All Consumers	62.1%	37.9%	→	26.9%	28.3%	44.8%
Gen Z	66.9%	33.1%	→	34.5%	51.7%	13.8%
Millennials	54.8%	45.2%	→	26.0%	18.8%	55.2%
Gen X	54.7%	45.3%	→	25.3%	31.8%	42.9%
Baby Boomers	84.7%	15.3%	→	31.1%	31.1%	37.8%

03

THE RMN ADVERTISING EFFECT

Our research delivers positive news for marketers: advertising on retail media networks drives purchase. 68.6% of surveyed consumers said they made a purchase in the past 30 days after seeing a product advertised on their grocery store's website or app. This influence is evident across all generations, with Gen X (72.9%) and millennials (70.2%) showing the highest propensity to make an RMN advertising-influenced purchase. Gen Z (66.9%) and even a majority of baby boomers (58.9%), who are less likely to engage in online grocery shopping overall, are still susceptible to RMN advertising.

68.6%

OF CONSUMERS SAID THEY MADE A PURCHASE IN THE PAST MONTH AFTER SEEING A PRODUCT ADVERTISED ON THEIR GROCERY STORE'S WEBSITE OR APP

RMN ADVERTISING IMPACT ON CONSUMER PURCHASES

In the past month, have you purchased products you saw advertised on your grocery store's website or app?

All Consumers	Gen Z	Millennials	Gen X	Baby Boomers
NO 31.4%	33.1%	29.8%	27.1%	41.1%
YES 68.6%	66.9%	70.2%	72.9%	58.9%

NO   YES

While over two-thirds of consumers said they made a purchase in the past month after seeing a product advertised on their grocery store's website or app, there are important distinctions as to when and how these purchases were made. Unlike purchases for clothing or electronics, grocery shopping involves a planning phase that can span several days before a shopping trip. This planning mindset extends to RMN advertising as well. While 18.2% of consumers report frequently or always making an immediate purchase after seeing an ad, most shoppers wait until later to buy.

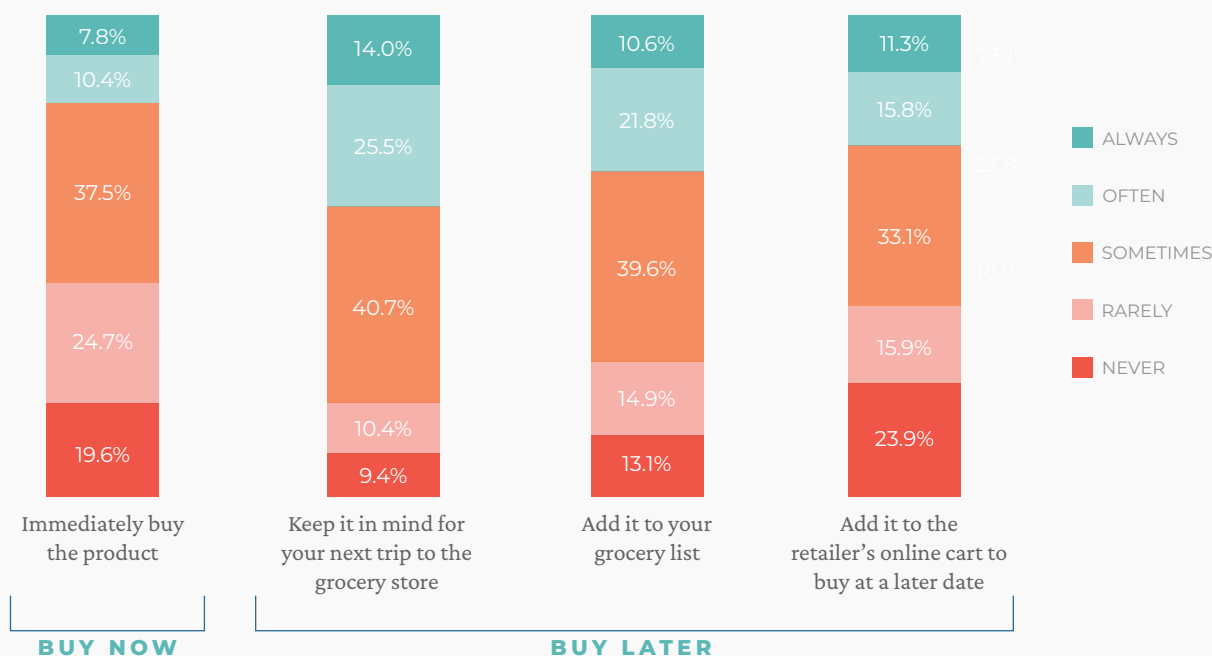**Consumers incorporate advertised products into their pre-shop planning in a variety of ways:**

- **Mental Notekeeping:** 39.5% of consumers often or always make a mental note of advertised products for their next grocery shopping trip.

- **Grocery List Additions:** 32.4% of consumers often or always add advertised products directly to their grocery list.

- **Online Cart Placement:** 27.1% of consumers often or always add advertised products to their online grocery cart for later purchase - which could be made online or using the retailer's e-cart as their in-store shopping list.

While RMNs effectively ignite purchase consideration, the "buy later" phenomenon highlights the importance of fostering pre-shop planning and increasing the likelihood of converting those planned purchases. By recognizing how and when consumers purchase CPG products seen in advertising and employing complementary tactics, you can significantly boost the effectiveness of your RMN campaigns.

POST-ADVERTISEMENT CONSUMER ACTIONS

When you see a product that you like advertised on your grocery store's website or app, which of the following actions do you take?

	Immediately buy the product	Keep it in mind for your next trip to the grocery store	Add it to your grocery list	Add it to the retailer's online cart to buy at a later date
ALWAYS	7.8%	14.0%	10.6%	11.3%
OFTEN	10.4%	25.5%	21.8%	15.8%
SOMETIMES	37.5%	40.7%	39.6%	33.1%
RARELY	24.7%	10.4%	14.9%	15.9%
NEVER	19.6%	9.4%	13.1%	23.9%

BUY NOW | BUY LATER

04

FOUR STRATEGIES TO COMPLEMENT RETAIL MEDIA NETWORKS

01 DON'T FORGET THE PHYSICAL STORE

Despite the surge in e-commerce and RMNs, it's important to remember physical grocery stores remain dominant, with Nielsen IQ 2023 data revealing that 75.3% of grocery purchases still happen in-store. This preference is further reinforced by the primary reason consumers don't regularly use grocery apps and websites – their partiality to shop in physical stores. Even among surveyed regular online grocery shoppers, a significant portion (28.3%) opt for in-store pick-up and nearly half (44.8%) utilize a combination of delivery and pick-up. These preferences highlight the need for RMN strategies to incorporate the physical store, fostering a seamless integration between online and offline touchpoints to maximize reach throughout the grocery shopping journey.

02 CREATE "SHOP NOW, BUY LATER" SOLUTIONS

While CPG brands may not experience the same "Buy Now" purchases as electronics or clothing advertisers (only 18.2% of consumers make immediate purchases after seeing an ad), a significant opportunity lies in the "Buy Later" mindset. Developing media solutions like digital shopping list integrations and one-click recipe add-to-cart features allows brands to effectively target consumers during pre-shop planning, bridging the gap between ad exposure and future purchase decisions and ultimately leading to more impactful RMN campaigns.

03 COMPLEMENT RETAIL MEDIA NETWORKS' REACH

Recognizing the undeniable power of RMNs for targeted advertising based on purchase data, it's important to acknowledge their reach limitations. Our research indicates that 38.7% of consumers don't regularly visit grocery retailer websites and apps, which is even higher for Gen Z (46.3%) and millennials (42.8%). However,

a successful media strategy shouldn't pit RMNs against other forms of media; instead, it should view them as complementary tools. By leveraging RMNs alongside established channels, brands can achieve a more holistic approach, maximizing their reach and influence across diverse consumer segments.

04 REDUCE FRICTION TO INCREASE ADOPTION

While off-property media partnerships within RMNs offer a valuable tool to reach consumers beyond those who frequent grocery store websites and apps, a suboptimal user experience can hinder effectiveness. Clicking on an off-property ad can disrupt user engagement by sending users away from their original content, presenting a cumbersome multi-step process (product confirmation, login credentials, etc.). This poor UX is particularly problematic for

younger demographics like Gen Z and millennials (over 40% report disliking grocery store websites due to clunkiness). Research suggests that "one-click" frictionless off-property media experiences can see a [27x increase in-cart transfer conversion rates](). Therefore, prioritizing a seamless user experience across all touchpoints, including off-property media, is critical to maximizing the reach and impact of RMN advertising strategies.

ABOUT ADADAPTED

AdAdapted is an advertising technology solution that connects CPG brands to high-intent shoppers during valuable pre-shop planning moments. The company offers several solutions to drive in-store and online sales leveraging digital shopping lists, display, eCommerce, video, keyword and other touch points for CPG brands, agencies and retailers. Media can be run through managed service, self-service, and SaaS platforms.

With more than 110 million U.S. shoppers using mobile devices for their grocery lists, AdAdapted's unique adtech platform integrates with popular planning apps (think recipes, wellness,

ADADAPTED TURNS PRE-SHOP INTENT INTO AWARENESS AND ACTION TO FUEL MORE PURCHASES OF BRANDED PRODUCTS

lists, and budgeting) to reach consumers with shoppable ads when they are most receptive to a brand's message. We turn pre-shop intent into awareness and action; moving shoppers down the funnel while fueling in-store and online purchases with a single click.

AdAdapted: Proven digital advertising *built* for CPG brands.