FARMER BROTHERS

COFFEE CO

GEN Z BEVERAGE PLAYBOOK

SCROLL DOWN

EXECUTIVE SUMMARY

GEN Z IS REWRITING THE RULES OF BEVERAGE CONSUMPTION

Gen Z is rewriting the rules of beverage consumption — and operators who adapt will capture a generation commanding $360 billion in disposable income today and $12 trillion by 2030.[1] This cohort, representing 24% of the adult U.S. population with 74% using restaurants weekly or more,[2] has emerged as the most influential force reshaping beverage menus, marketing strategies and operational priorities across the foodservice industry.

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THE TRANSFORMATION IS UNMISTAKABLE. GEN Z DRINKS DIFFERENTLY:

94% of their coffee purchases are cold beverages,[3] they're 20% less likely to consume alcohol[4] than millennials, and they've propelled prebiotic sodas from a $33 million[5] niche to a $777 million category in just three years.[6] Their preferences for customization have created drink menus with 20,000+ combinations, while their digital-first habits mean 66% of transactions at leading chains now flow through loyalty apps.

KEY FINDINGS SNAPSHOT

Gen Z over-indexes significantly for beverage-forward concepts.[2]

They rate order accuracy, food taste and flavor, and takeout capabilities as critical factors for limited-service restaurants.[2]

Their ordering patterns skew heavily toward frozen beverages, functional drinks and customizable options.[2]

CHAPTER 1

UNDERSTANDING THE GEN Z BEVERAGE CONSUMER

DEMOGRAPHIC PROFILE AND ECONOMIC CLOUT

Gen Z encompasses individuals born roughly between 1997 and 2012, currently aged 13 to 28. This generation represents the largest demographic cohort in history — 25% of the global population[7] —and their economic influence far exceeds what their age alone might suggest.

Their purchasing power tells a compelling story: $360 billion in current disposable income, with projections from NielsenIQ, GfK and Bank of America Institute suggesting growth to $12 trillion by 2030.[1] Perhaps more significantly, Gen Z influences an additional $600 billion annually in family spending,[1] making them critical decision-makers in household purchases well beyond their personal wallets.

For beverage operators, the math is straightforward. Gen Z uses restaurants at remarkable frequency, with 74% visiting weekly or more.[2] They over-index dramatically for beverage-centric concepts: Dutch Bros Coffee, Smoothie King and Tropical Smoothie Cafe all capture disproportionate Gen Z traffic. This generation treats beverages not as afterthoughts but as destination purchases worthy of dedicated trips.

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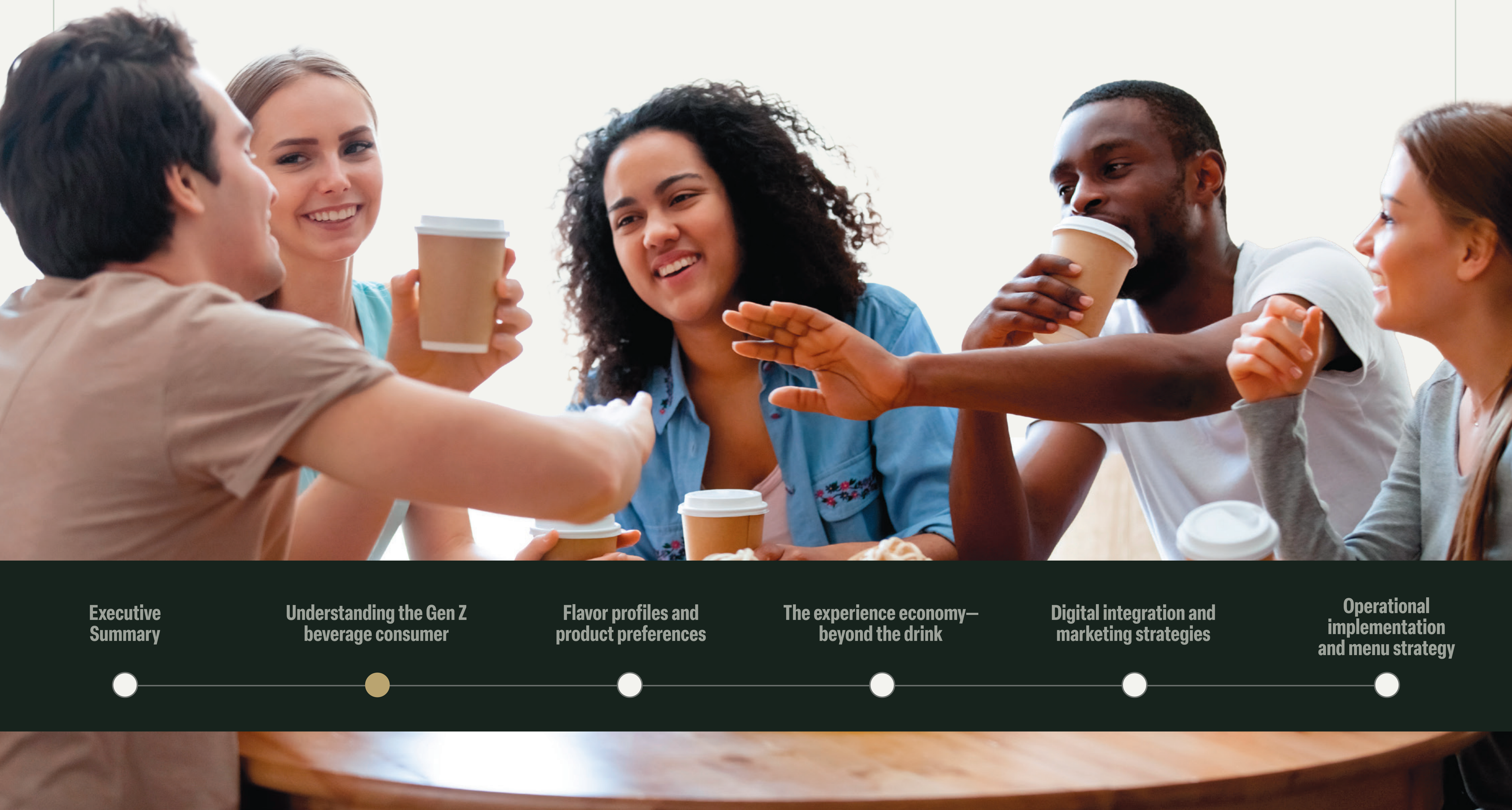

CORE VALUES DRIVING PURCHASE DECISIONS

Sustainability matters, but with caveats. Over 70% of Gen Z considers sustainability important in food choices,[8] with 51% willing to pay a premium for sustainable beverage options. [9] However, research reveals important nuances: only 18% actively seek out sustainable products, while 56% cite cost as a major barrier.[9] The takeaway? Sustainability should be integrated authentically, not positioned as a premium upsell that prices out value-conscious young consumers.

Authenticity is nonnegotiable. A striking 86% of consumers say authenticity matters when deciding which brands to support, and Gen Z leads this expectation.[10] They research brand claims — 75% will investigate whether companies genuinely support the causes they promote.[11] The penalty for inauthenticity is severe: 67% would stop purchasing from brands they perceive as inauthentic.[10]

Health consciousness shapes every sip. When selecting beverages, 44% of Gen Z cites sugar content[9] as their primary concern, followed by calorie count (26%) and artificial ingredients (19%).[9] This doesn't mean they avoid indulgent drinks — they simply want transparency about what they're consuming and increasingly seek functional benefits alongside enjoyment.

DIGITAL-FIRST PATTERNS AND SOCIAL MEDIA INFLUENCE

Gen Z lives on their phones, with 98% owning smartphones[12] and 93% using TikTok daily.[13] Crucially, 54% specifically use TikTok to browse food and drink trends,[14] making it the primary discovery engine for new beverages.

This digital orientation extends to purchasing behavior: 82% are comfortable using mobile apps to place orders,[15] 63% regularly use food delivery apps[13] and 65% consider contactless payment a must-have.[16] Operators without robust digital ordering infrastructure are effectively invisible to this demographic.

KEY FINDINGS SNAPSHOT

Gen Z doesn't separate online and offline experiences — they expect seamless integration. Our mobile order volume from under-25 customers has tripled since we invested in app functionality.

Regional beverage chain operations director

CHAPTER 2

FLAVOR PROFILES AND PRODUCT PREFERENCES

SWEET, BOLD AND GLOBALLY INSPIRED

Gen Z's flavor preferences reveal a generation embracing both comfort and adventure simultaneously. They have strong preferences for sweet flavors in lemonade, milkshakes and smoothies.[2] Strawberry lemonade is anchoring a $15 billion lemonade market projected by 2032,[17] while the bubble tea market races toward $5.3 billion by 2033.[17]

The Latin American influence runs equally strong, with the "swicy" trend (sweet-spicy combinations) gaining momentum. Hot honey has grown 111% on menus since 2009,[18] while chamoy — the Mexican spicy-sweet-tangy condiment — appears increasingly in beverages, particularly paired with mango.

THE LOW/NO-ALCOHOL TRANSFORMATION

Perhaps no trend defines Gen Z beverage preferences more clearly than their relationship with alcohol. This generation drinks 20% less than millennials,[4] who already drink less than prior generations.

THE NUMBERS ARE STRIKING

65%
OF GEN Z PLANS TO DRINK LESS IN 2025[19]

54.5%
"OFTEN" OR "SOMETIMES" CHOOSE LOW/NO-ALCOHOL OPTIONS[20]

39%
INTEND TO ADOPT A FULLY DRY LIFESTYLE FOR THE ENTIRE YEAR[20]

When Gen Z does drink, mocktails prove twice as popular as nonalcoholic beer. The global mocktail market has reached an estimated $5 billion, projected to hit $9.5 billion by 2033.[19]

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FUNCTIONAL BEVERAGES ARE THE NEW NORMAL

Gen Z has propelled functional beverages from niche to necessity. The global functional beverage market sits at $243 billion, growing at 7–9% annually, with energy drinks commanding 42% market share.[21]

Trending flavors and ingredients in functional beverages include dragon fruit (+45%), prickly pear (+29%), lavender (+20%) and Seedlip (+36%). These flavors align with the health-forward beverage trend, showcasing a preference for drinks that combine appealing taste with wellness benefits. Additionally, innovations like healthier-than-whipped-cream cold foam (+33%) are gaining traction among operators.[22]

Functional beverages are leading the charge in the beverage landscape, offering benefits such as improved immunity, enhanced energy, better focus and stress reduction. Energy drinks, bottled water, enhanced waters and caffeinated drinks are particularly popular. The craft movement has also influenced the functional beverage category, with operators investing in artisanal preparation methods and premium ingredients to elevate their offerings.[23]

LIMITED EDITIONS CREATE URGENCY

Gen Z responds strongly to scarcity and novelty. Beverages with limited-edition claims have increased 17% over five years, with iced tea showing the fastest growth (+44%) for LTO positioning.[24] The psychology is straightforward: Limited editions create social media moments, FOMO (Fear of Missing Out)-driven urgency and “first-to-try bragging rights” that Gen Z consumers crave.

CHAPTER 3

THE EXPERIENCE ECONOMY—BEYOND THE DRINK

DESIGNING FOR THE CAMERA FIRST

In a generation where 79% follow brands on social media — the highest of any demographic — visual appeal transcends mere aesthetics to become core strategy.[25] Gen Z doesn't just consume beverages — they document, share and build identity through them.

The implications are operational. Dutch Bros' neon-colored drinks aren't accidental — they're engineered for TikTok virality. Ube's purple hue and matcha's vibrant green serve as visual signatures that transform customers into content creators. Gen Z over-indexes on frozen beverages, which inherently offer more photogenic layered presentations.

CUSTOMIZATION AS EXPECTATION, NOT OPTION

Customization has evolved from differentiator to table stakes. Dutch Bros and 7 Brew each offer approximately 20,000 drink combinations through extensive syrup, sauce and modifier menus.[26] Smoothie King's CMO explicitly identified customization as critical to building Gen Z audience, noting they are "the generation most interested in choice."

This preference extends beyond flavor. Gen Z expects to modify milk alternatives, sweetness levels, caffeine content and functional add-ins. 75% customize their orders, and 22% try new menu items "very often" — they're engaged, experimental consumers who reward brands that empower their creativity.[12]

THE "LITTLE TREAT CULTURE"

Gen Z has popularized "little treat culture" — the practice of rewarding oneself with small indulgences throughout the day. Beverages serve perfectly: A $6 iced coffee becomes an affordable mood boost, an act of self-care, a shareable moment. This psychology drives the afternoon snacking daypart that has been identified as a Gen Z stronghold.[2]

CHAPTER 4

DIGITAL INTEGRATION AND MARKETING STRATEGIES

TIKTOK HAS BECOME THE DISCOVERY ENGINE

The numbers are unambiguous: 93% of Gen Z uses TikTok daily,[13] with 54% specifically browsing food and drink trends.[14] The Sleepy Girl Mocktail reached 122 million views in January 2024, simultaneously driving tart cherry juice sales and menu additions at bars nationwide.[27]

KEY FINDINGS SNAPSHOT

Content that works: Short-form video under 30 seconds, behind-the-scenes production footage, trend participation, audio branding and creator partnerships.

Content that fails: Overly polished corporate messaging, slow response to trends and inauthentic cause marketing.

THE INFLUENCER PARTNERSHIP HIERARCHY

Influencer marketing has matured into a $24 billion industry, projected to reach $32.55 billion by 2025.[28] For beverages specifically, 85% of consumers have researched, purchased or considered purchasing after seeing influencer posts — up 4% from 2023.[29] Food and beverage ranks as the #1 influencer content category consumers want to see.[30]

QUICK WIN

Identify 10–20 local micro-influencers with 1,000–10,000 followers who authentically align with your brand. Gift products or invite them to your store and create shareable moments.

LOYALTY PROGRAMS AS COMPETITIVE MOATS

Digital loyalty has become essential infrastructure. Starbucks Rewards represents the gold standard with 15.1 million active members[31] driving 30%+ of all purchases through mobile order-and-pay.[32] Rewards members spend up to three times more on average.[33]

EFFECTIVE LOYALTY PROGRAMS FOR GEN Z SHARE COMMON ELEMENTS:

- Mobile-first design with seamless ordering integration.
- Gamification through challenges, achievements and bonus point opportunities.
- Personalization powered by AI and purchase history.
- Small increments between rewards, maintaining engagement momentum.
- Social integration allows UGC sharing and friend referrals.

TECH INTEGRATION BEYOND THE APP

QR codes have transcended pandemic necessity to become standard infrastructure for menu access, payment processing, loyalty enrollment and promotional content. 57% of Gen Z avoids restaurants with outdated menus,[34] making digital menu capabilities a baseline expectation.

Emerging technologies gaining traction include AI-powered personalization (16% of operators planning investment),[34] voice-activated ordering and location-based push notifications. Starbucks' "Happy Hour" promos demonstrate effective location-triggered engagement driving traffic during target dayparts.

CHAPTER 5

CHAPTER 5: OPERATIONAL IMPLEMENTATION AND MENU STRATEGY

EXPAND COLD AND ICED OPTIONS AGGRESSIVELY:

Cold beverages dominate Gen Z preferences — 94% of Dutch Bros' Gen Z sales are cold drinks. Consider year-round iced coffee promotions and ensure frozen beverage equipment can meet demand, especially with Gen Z's above average ordering of frozen beverages at limited-service chains.

BUILD ROBUST CUSTOMIZATION INFRASTRUCTURE:

Invest in syrup and sauce varieties, alternative milks (oat, almond, coconut), functional add-ins (protein, collagen, adaptogens) and staff training on modifier combinations. The winners — 7 Brew, Dutch Bros, Smoothie King — offer thousands of permutations.

CREATE DEDICATED ZERO-PROOF SECTIONS:

Allocate 20-30% of beverage menu to nonalcoholic options. Use terminology like "zero-proof" or "spirit-free" rather than "mocktails" — the latter can feel dismissive.

ROTATE LIMITED-TIME OFFERINGS MONTHLY:

Tie releases to cultural moments, viral trends or seasonal themes. Limited editions create social media moments and repeat-visit motivation. Tropical Smoothie Cafe's mermaid-core topping and Dutch Bros' seasonal specials exemplify effective LTO strategy.

CONCLUSION: WINNING GEN Z MEANS EVOLVING EVERYWHERE

The Gen Z beverage opportunity extends far beyond adding a few trendy drinks to existing menus. This generation demands — and rewards — operators who fundamentally align with their values, preferences and digital behaviors.

THREE PRINCIPLES SHOULD GUIDE EVERY DECISION:

1 First, digital integration is infrastructure, not innovation. Mobile ordering, loyalty programs and social media presence are baseline expectations. The operators capturing Gen Z built these capabilities years ago and now differentiate through personalization, speed and seamless experience.

2 Second, authenticity cannot be manufactured. Gen Z researches brand claims, detects performative claims and punishes inauthenticity with abandonment. Sustainability efforts, social positions and brand personality must be genuine, consistent and — crucially — imperfect. Brands that acknowledge areas for improvement build more trust than those claiming flawlessness.

3 Third, beverages are becoming food. The lines between snacking and drinking have blurred, creating opportunity for operators who embrace beverages as destination occasions worthy of dedicated trips and premium pricing.

The brands winning with Gen Z share common DNA: cold-forward menus, extreme customization, robust digital infrastructure, authentic values integration and relentless visual appeal. Whether operating a single location or a national chain, these principles translate into actionable strategy.

KEY FINDINGS SNAPSHOT

Gen Z isn't the future of beverage consumption — they're the present — commanding $360 billion in spending power and influencing billions more. Operators who adapt now will build loyalty that lasts decades. Those who wait will find themselves serving a generation that has already moved on.

ABOUT FARMER BROTHERS

Founded in 1912, Farmer Brothers Coffee Co. is a national coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and culinary products. The company's product lines include Fair Trade Organic, Direct Trade and sustainably produced coffee, as well as tea, cappuccino and beverage mixes, spices and culinary goods, offered in a variety of brands and quality tiers.

Farmer Brothers Coffee Co. delivers extensive beverage planning services and culinary products to a wide variety of U.S.-based customers, ranging from small independent restaurants and foodservice operators to large institutional buyers, such as restaurant, department and convenience store chains, hotels, casinos, healthcare facilities and gourmet coffeehouses, as well as grocery chains with private-brand coffee and consumer-branded coffee and tea products and foodservice distributors. The company's primary brands include Farmer Brothers, Sum>One Coffee Roasters, Boyd's, Cain's, China Mist and West Coast Coffee.

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