

THE RETAIL REBELS

Who Will Conquer the Connected Consumer?

TOP TEN THINGS

You Need to Do Now



DEMAND

WORLDWIDE

Customer Experience & Engagement Series

WHAT YOU WILL LEARN

Why **Gen Z** is definitely different than **Millennials**

How to **communicate, collaborate** and **educate** the new generation

Which **digital disruptions** inspire desire for your brand



GENERATION Z



EXECUTIVE SUMMARY

Today's reality is that most retail consumers are constantly connected, know what they want and have expectations that they should get it in real time – whether product, information or service. As new digital technologies and shopping options touch every step of the customer-shopping journey, the consumers are now fully in charge of what, when and where they engage and how they buy. We have also seen in-store visits and foot traffic fall steadily over a ten year period according to Piper Jaffray's 27th semi-annual study into teen behavior 2016. We believe this impact is due to those retailers who have added disruptive practices with interactive technology, internet access and overall experiences. In addition, 84% of connected consumers use their mobile devices before or during a shopping trip.*

Many retailers and brands are still in a reactive role dealing with a dynamic consumer with the only constant in their shopping journey being change. It's time to take action and become a retail rebel in order to conquer these connected consumers. If you have not looked at disruptive technologies and new progressive ways to connect, the time is now before it is too late to capture this audience. A new generation of shoppers is emerging that has been able to pinch, zoom and swipe since birth, and retailers need to be able to deliver unique experiences throughout the Unified Commerce in order to maximize their engagement. New expectations and selling models like “see now-buy now”, direct-to-consumer and seasonless merchandising are changing the game throughout the Unified Commerce. This is arguably the most exciting time ever in retailing history. Are you ready for this fast-paced and dynamic generation? They are upon us today as influencers, and will be our main consumer in less than 5 years.

INTRODUCTION

Just like last year's fashions and the latest iPhone, Millennials are being replaced by the latest and greatest batch of consumers, Generation Z (also known as The Founders). They are Gen Y's younger siblings who were born between 1995 and 2009. While Millennials continue to be an important market for many retailers and brands, a new purchasing powerhouse should demand your attention. The oldest members of Gen Z are still teenagers, but they already wield a buying power of \$44 billion and command the highest influence on family purchases in history. In fact, 93% of Gen Z parents surveyed said their children influence family spending and household purchases, according to the Deep Focus' 2015 Cassandra Report Gen Z and this continues through 2016. They also make up nearly 26% of the population giving us more than enough reasons to start paying attention.

Just like with Millennials, retailers need to discover how to genuinely connect with GenZ to build trust and loyalty. But beware - it's been said that GenZ can't stand living in the Millennial shadow. To secure the favor of the up-and-coming generation of consumers, you have to know what makes them tick. Of course, figuring this step out requires an understanding of what Generation Z values and where they spend their time.

What has emerged to date? Retail rentals or sharing - these new consumers are becoming increasingly used to the idea of a "sharing economy" - tapping into Uber for rides, Airbnb for places to stay or Rent the Runway for outfits. Retailers need this type of disruptive thinking, a digital business transformation to execute, and change management to adopt behaviors for this new breed of consumers. Even if GenZ isn't your current target audience today, they will be tomorrow and now is the time to grab their attention, so get ready!



DEFINITELY DIFFERENT

move over Millennials, it's Gen Z's turn to shop

Top 10 Things You Need to Be a Retail Rebel & Conquer the Connected Consumer

1. Expectation for constant innovation of products and new "cray cray" (cool) products

The new generations expect constant improvements and change. They grew up with Apple and a new phone every year. Warranty does not exist for this generation who expect improvements on a consistent basis. They also prefer a cool "cray cray" or really cool "the bomb" product (60%) over a cool experience (40%) according to the 2015 Deep Focus' Cassandra Report. Contrary to Millennials who prefer to invest in experiences, GenZ wants it all – experience and a cool product – but there's a catch. Having a mobile device at their fingertips and the digital knowledge that comes with growing up with the Internet, GenZ is selective with their purchases. They conduct extensive research and gain input from those they trust before pressing the "buy button." If your product doesn't pass the quality and social test, no marketing campaign will make a difference. They want to know it all – so share the good, the bad and the ugly as well as what's new. For them, fashion and products are less about fitting in and more about making choices that reflect their own identity and lifestyle. Remember this is the generation of wearables and engagement technology and DIY (Do- IT-Yourself).

2. Speak to Gen Z both on a Social Level as well as a Brand Level

GenZ doesn't want to speak to a faceless company; they want to connect with an authentic person. Have one voice to the customer and give them an aspirational connection to your brand. Invite GenZ to be a part of your brand – give them a voice to be listened to. They're constantly on the lookout for ways to be heard, have influence, and build up their own personal brands. Social media ambassadorships, influencer campaigns and virtual focus groups not only make GenZ feel invested in your company and secure their loyalty early on, but also help them boost their own online presence. Reveal behind-the-scenes looks; ditch the overly "planned" feeling for more spontaneous, honest posts. As a brand it is important to share product issues and let them help by listening to suggested improvements or fixes. Remember, they expect constant change and updates -- not perfection. Hiding the issues and not apologizing or going public will lose this generation's loyalty and business. Do it with humor where appropriate – they love brands that poke fun of themselves and are not too serious.

3. *Don't push product - build your brand through "Story Telling"*

With 67% of GenZ* preferring narratives and storytelling, it's no wonder GenZ is flocking to Instagram, YouTube, Pinterest and other video & visually aesthetic outlets. It is imperative for brands to tell their stories in authentic ways as consumers want to feel inspired and be part of something exciting. So telling a brand's unique story is a powerful tool in achieving consumer loyalty and engagement. Don't be afraid to add humor and make it fun. Be warned – this consumer is not coming to your brick-and-mortar stores for the selection or prices – they can usually find better alternatives to both online. They are coming online and in-store for the brand experience and personal interaction through visuals, aspirational experiences and interaction. Today, retailers need to sell distinctive lifestyles and use their employees to articulate what they are about – transform your stores into cultural and social hubs and make sure to take your employees along for the ride. Start the story online with branded content and complete the experience wherever the consumer wants to engage. Do not underestimate the power of music for this generation and engage them with an experience that combines technology, music, social and entertainment.

*"If you are not disrupting today,
you will be disrupted tomorrow."*



4. *Connect with "Cause Marketing"*

Let it be known that GenZ shuns social conformity and wants to make a difference in the world. They not only want to have an impact, they want to see the impact. It's not enough to simply say your company cares about the causes GenZ believes in, you have to show it. With this in mind, retailers should tailor their messages to target GenZ's creative, DIY, nontraditional, world-changing ambitions. Work social good and world issues into your business strategy and story, enlist the help of GenZ to spread the word and then convey the power of your philanthropy. Put a face to the causes and provide a personal connection. Open the doors to your employees, factories, workers and partners. Be sincere and show you care or as they say "put your money where your mouth is". This generation thinks globally and locally.

*2015 and 2016 Deep Focus' Cassandra Report

“Youth want brands to create tools and experiences that provide entertainment rather than simply sell products.” Cassandra Insights Fall 2016

5. Savor short “Shout-outs” & deliver messages in sound bites

Simply put, we live in a visual world. The Emoji and Emoticons have transformed the way GenZ communicates – it is their native tongue. The power of words has been replaced by the power of Emoji. It is just the next progression of image communication. A single facial expression, sign or image is all it takes to convey the most complicated message and retailers must adopt this to connect to this generation. There's a reason why images are the most powerful and effective way to share a message or tell a story. Retailers already capitalize on images to attract attention and communicate messages quickly, simply and unforgettably. The key here is emotion – we know stimulating emotions will enhance memory. So, connect through images, symbols, pictures, and videos. Communicate through snack-able content as these consumers have an 8 second attention span before they are on to the next idea. Be precise. Know what you are trying to say and deliver it succinctly and aesthetically in presentation whether text, Pinterest boards, SnapChat filters, YouTube or via other social channels. Want them to take a survey – no phone calls please. Give them short and visual ways to respond via mobile and in the moment and you'll get their input.

6. Empower an engaging in-store experience & embed social

The store is not “dead” and is still where most sales are made. GenZ likes stores when they are engaged and entertained. Focus on the ambiance of the store, experience and empowering the store personnel is essential to engaging this generation. GenZ requires stimulation visually and audibly – interactive technology, visually aspirational images and music are essentials to connect within the first few seconds of entering the store. Studies have shown they will relate silence to a store closing within seconds of entry. Create a digital experience in-store and give them the “opt in” option when entering to engage on their terms. Treat them with respect and service them the same way as generations before them. Enable immediate recognition of their purchase and communicate interactively allowing them to post it out to friends or share on your social sites whenever they chose to.

Younger shoppers are increasingly seeing retail spaces not only as places to purchase, but also as classrooms where they can learn new skills and build social networks. Nearly a third of shoppers (32%) are interested in attending a lifestyle lesson at their favorite store*. Empower your sales associates with product knowledge, deliver content through interactive technology or on mobile to enhance the shopping experience. Tap into the new generation's “DIY” spirit – and allow the customer to contribute to looks and post out real-time upon purchase.

* Westfield's 2016 “How We Shop Now: What's Next?” Report

7. Place promotions and daily deals face first – if at all

Everyone loves a good bargain, right? Not necessarily. Today's generation is looking for brands that have a personality – not all promotions. Authenticity is more coveted than a 75% off coupon. If you are pushing daily deals and in-store promotions make sure they are visible, available and consistent across all channels. Pricing should be front and center – displayed or scanned easily – not hidden or tucked away. Remember this generation has a very short attention span and needs to find the information quickly to engage. Retailers need to have the infrastructure and technology to deliver on consumer expectations including the “see now, buy now” model no matter where they are shopping.

They like deals but also value quality and details about the product and unlike Millennials will spend for products they connect with whether on promotion or not. Where possible tie promotions to social causes whether through an event, fund raiser or shopper's choice for giving back. GenZ have tremendous influence over household purchases and spend – it may not be their money but they are vocal about quality and what products/brands are brought into the home from automobiles to groceries.

8. Deliver digital disruption and progressive platforms to jolt the shopping journey

The most sophisticated retailers are ensuring their digital business transformation strategies are geared toward enabling customers to engage and convert on any channel. They are changing the way they think about Unified Commerce and Omni-channel, adding innovation where it has the largest impact on the customer relationship and creating a unique branded experience based on dynamic customer journeys and a deep understanding of what's expected and what's next. A recent survey shows 42% of people in the U.S. would like to use new technologies, such as virtual reality headsets, to experience how products will look in their home.* A third said they would be interested in using virtual assistance to see how clothes would look on their bodies.**

Deliver experiences through dynamic digital disruption and new innovation for the stores. Progressive new technologies to create branded and lifestyle experiences include: body scanners, personal avatars, recognition technology, virtual and smart dressing rooms, magic mirrors, proximity marketing /beacons/Rfid, virtual reality (VR) and augmented reality (AR), drone delivery, frictionless payment/engagement, real-time inventory, item recognition, machine learning and artificial intelligence (AI), digital merchandising, personal recommendations and video/live streaming to name just a few. There is power to personalization and it is imperative to build knowledge and personalize the experience to retain and attain, differentiate and add value to the relationship.



* Westfield's 2016 "How We Shop Now: What's Next?" Report

** Westfield's 2016 "How We Shop Now: What's Next?" Report

9. Create a Unified Commerce connection

As we know, GenZ and other generations are increasingly shopping from their laptops, tablets, mobile devices, wearables and other new technologies. The typical GenZ has 5 devices and their mobile phone is an appendage of their body – constantly connected. Retailers must be agile and ready to engage with them across all technologies and channels in order to offer a unique unified customer experience. Today's consumers already expect consistency across all touch points, with integrated promotions, return policies, inventory availability and services. Frictionless payment options like mobile payments allow both customers and store associates to check out at any point during the shopping journey and is a must for this generation who may never carry cash and feel a credit card is out of the question. They are security sensitive but trust mobile payments more than credit cards to protect their identity. Customers see one brand to engage with and will connect and engage at various points of entry depending on where they are and what they want at that moment in time. Here lies the retail challenge – to be ready no matter where and when they engage and provide that consistent and enticing experience that they expect. To achieve this, infrastructure, business processes and operational changes are required to remove the silos and streamline the business. Statistics show most retailers have achieved inventory visibility but most have yet to focus on the customer value to the brand universally versus the channel.

10. Inspire as you hire - no wimps in the workforce

GenZ is not only your new retail customer, but also your new workforce. They are diverse and young but mature in nature and want to be treated like adults. They show more signs of being entrepreneurial than GenY with 72% wanting to start their own business and employ others.* They also report being slightly less influenced by money compared to Millennials over liking their job. They want you to take them seriously with 61% having a strong desire for managers to listen to their ideas and to value their opinions. This new workforce are your brand ambassadors – whether back at the office or in-store employees. They are social, connected and constantly communicating. Give them the freedom and platform to share your branding and promote their workplace.



*Marketo's Marketing's Next Big Audience 2015 Info Graphic



CONCLUSION

While philanthropically minded retailers such as Warby Parker and Toms Shoes have been successfully marketing to Millennials, when it comes to GenZ, brands must strive to change the world in an innovative and progressive way. GenZ may be young, but they're informed, ambitious and primed to be the next big consumer market segment with a huge influence on the household spend today – and it's time we all paid attention. The only constant in retail is change and it's dynamic and moving at a faster pace than ever before. Retailers need to find a way to manage this change. The good news is that the capabilities and attitudes of its employees leave retailers better positioned than most industries to effectively implement change and business transformation to be able to capture and captivate the next generation.

Retailers and Brands need to rethink fundamental business processes across the Unified Commerce. This requires alignment across all areas of the organization, unifying decisions across selling channels and creating a single voice to the consumer. In today's environment, the speed at which retailers can innovate and deliver digital transformation, communicate through story telling and cause, offer unique engagements, (to name a few) is imperative if they are to remain competitive, deliver a customer experience like no other, retain their loyal customers, and most importantly conquer the new generations – the connected consumer. That is what we refer to as a **Retail Rebel**.

ABOUT THE AUTHORS

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A seasoned SVP Global Sales and Industry Business Specialist focused on Retail and Brands. For the past 25 plus years, Paula has provided consulting services, change management adoption strategies, and technology solutions to the industry based on her depth of knowledge of business processes, best practices to deliver a unique and personalized customer engagement through her years in CRM, Loyalty, Customer Insights and Clienteling for retailers and brands across the Unified Commerce. Paula's customers have covered a wide range of leading retailers and brands worldwide including Brooks Brothers, Chanel, Giorgio Armani, Barney's New York, Tory Burch, Ralph Lauren, St John Knits, Escada, Gap, BevMo, Tommy Hilfiger, Valentino, Joseph Abboud, and David Yurman.

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Company

Demand Worldwide is a new breed of consultancy redefining how to "conquer the connected consumer." We are helping change the way Retailers, Brands and Technology providers engage an always-on consumer through personalization, unique go-to-market (GTM), engagement and marketing strategies. We create demand by blending brand, subject matter expertise, a deep understanding of the industry and progressive creative to achieve measurable results.



Demand Worldwide

For more information, please visit demandworldwide.com & TheRetailebels.com

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