

Retail Won't Survive Gen Z Without Omni-Channel OMS



Executive Summary

Retailers may think they have figured out the new retail game, which has been dominated by the precipitous rise in millennial spending power. Unfortunately, all that has earned them is the chance to learn about another disruptive and characteristically unique demographic.

Meet Gen Z.

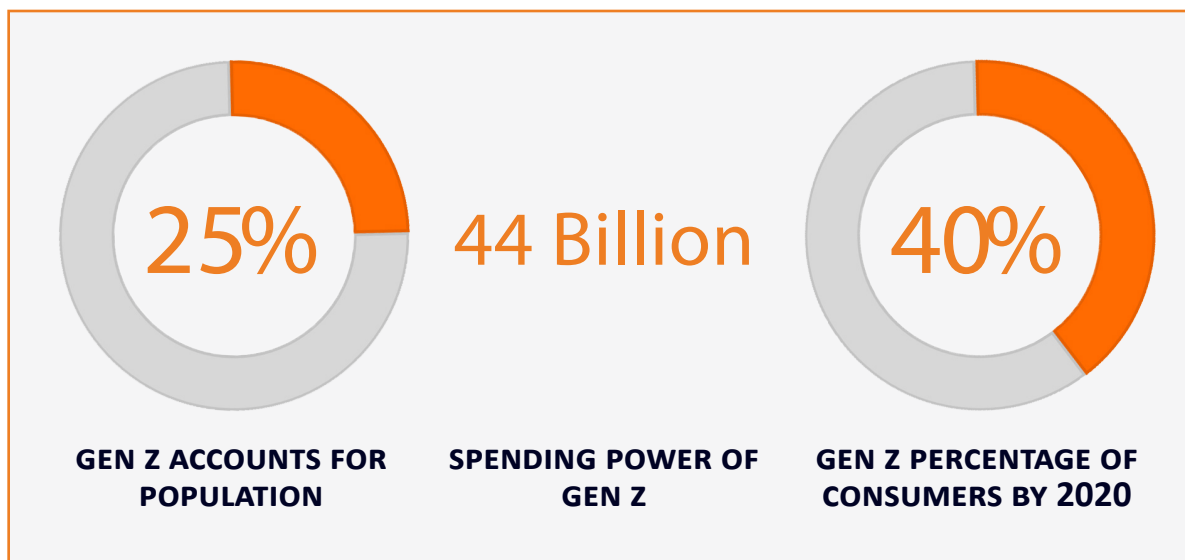
Also known as Centennials, this group refers to those born between 1995 and 2015. Importantly, in the U.S., Gen Z accounts for over 25% of the population¹ and, by 2020, Gen Z will constitute 40% of all consumers². Already in command of \$44 billion of spending power³, not counting the additional spending Gen Z influences, it isn't a group that retailers should wait to address. But what makes Centennials different from previous generations is critical to understand, as it directly impacts the strategies retailers need to implement to earn their trust, loyalty and spending dollars.

Gen Z is, first and foremost in importance, the only generation to come of age in a completely digital era. They are digital natives. They rely on technology in a way that no other generation can claim, which has far-reaching effects on their broader perceptions and behaviors. We'll explain more later, but they are also less brand loyal and use technology to identify new styles, trends and characterizations of retailers through reviews and peer-to-peer digital communications.

Gen Z will make retailers yearn for the days of figuring out how to reach millennials. In order to succeed tomorrow (more literally than figuratively!), retailers must get to know Gen Z today, and start implementing changes and technology to address their needs and expectations. Otherwise, they risk becoming irrelevant – and possibly extinct – as Gen Z's buying power continues to rise.

Table of Contents

1	Introduction
2	A Different Generation
4	Baby Steps
5	Omni-channel OMS is Critical Next Step
6	Distributed Order Management
8	Global Inventory Management
9	Store Fulfillment
10	Customer Services
11	Survival of the Fittest



A Different Generation

Being able to get ahead of Gen Z starts with getting to know some of their defining characteristics.

Streamlining Screens

Centennials were born in the age of the Internet and smartphones and often use up to five screens at any given time⁴. They are master multi-taskers who expect that the experience they have on one platform will closely match the experience on another. When it comes to retail, they have a strong preference for sites that make browsing and purchasing as streamlined as possible across various mediums. Long gone are the days where consumers would put up with a mediocre mobile webpage as long as they had the convenience of shopping on the go. Today, having that streamlined experience isn't a luxury to woo consumers, it's a necessity to avoid alienating them.

Communicating Socially

Millennials are the Facebook generation, but Gen Z has famously abandoned that

medium in favor of more visually stimulating networks such as Snapchat and Instagram, as they prefer to communicate with images. Retailers need to make sure they're present on the social media channels where Gen Z spends a great deal of their time.

As with any multichannel communications strategy, each channel has advantages that should be capitalized upon. For example, formatting capabilities, number of users, the role of images, impact/cost/value of paid advertising, consumer demographics and more, are all communication elements to consider. But above all else, it is critical to maintain a consistent brand

Time Flies

One of the most challenging realities of connecting with Gen Z is that the average person in this group has an attention span of roughly eight seconds⁵. This means advertisers and marketers have precious micro-moments to capture their attention and keep it.

The pressures on brands to create unique, compelling marketing collateral, webpages and products that catch the eye aren't new. However, the complexity of doing so in less time, with more noise to compete with, across nearly limitless physical and digital channels has become a dizzying challenge. It is so puzzling and complicated that retailers must look to more innovative and personal ways of connecting with consumers to nurture loyalty.

Money, Money, Money

Not surprisingly, growing up during the Great Recession and its immediate aftermath has given Gen Z a cautious perspective. In fact, they have a pessimistically slanted view of the macro-economy and their own financial capabilities and stability. Many worry about paying for college and getting a job⁶. This perception has defined them categorically as less eager and more skeptical consumers than their predecessors. From this more intense outlook, competition has evolved among retailers to earn Gen Z's carefully allocated funds.

Research is Knowledge

As digital natives, Centennials were born with information at their fingertips and access to endless amounts of knowledge. For this reason, they do their research before making decisions – and purchase decisions are no exception. Gen Z expects easy access to product details and reviews. What they find on the Internet and among their social networks will make or break their decision to buy a product or service. To capture these sales, retailers need to make sure they have as complete a picture of their shoppers as possible. This includes visuals, reviews and customers' opinions, to ensure retailers direct their customers to "buy now" before their attention drifts elsewhere.

Do Good or Do Not

Growing up during a recession and having unlimited access to the happenings of the world around them, Gen Z is all too aware of the social, environmental and economic impacts of their actions. They're do-gooders. Many spend their time volunteering and have career ambitions where they can facilitate social change. These beliefs and convictions influence their shopping habits, the items they buy, and where they choose to spend their hard-earned and limited dollars.

Time to Kill, For Now

For now, the vast majority of Gen Zers are students. They keep busy but have only limited responsibilities and great flexibility with their time. By 2020, they will have careers and even families, and that won't be the case anymore. Given the generation's already robust demand for speed and simplicity, retailers need to master these capabilities, too. Speed and simplicity are important to capture Centennials' attention before their spending power soars at the same time they start careers and families.



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Baby Steps

No one can predict with complete certainty what Gen Z and the retail landscape will look like by 2020; however, the defining characteristics outlined here can help retailers lay the foundation they will need to create the shopping experience this generation requires. There is no single solution that can magically help retailers meet the needs of Gen Z. Fortunately, though, there are a number of easy steps and critical technologies that retailers can start leveraging today.

First, and perhaps the simplest step retailers can take to accommodate Centennials, is to meet them where they are with the information they crave across social channels and screens. If you haven't done so already, set up your retail brand on Snapchat and Instagram. Next, make sure your eCommerce site is fully responsive to fit any screen with the consistent information and engaging experience Gen Zers expect before making a purchase. This is just the tip of the iceberg, though. There are more complex technologies that retailers should also begin implementing to avoid being left behind.

Omni-Channel OMS is Critical Next Step

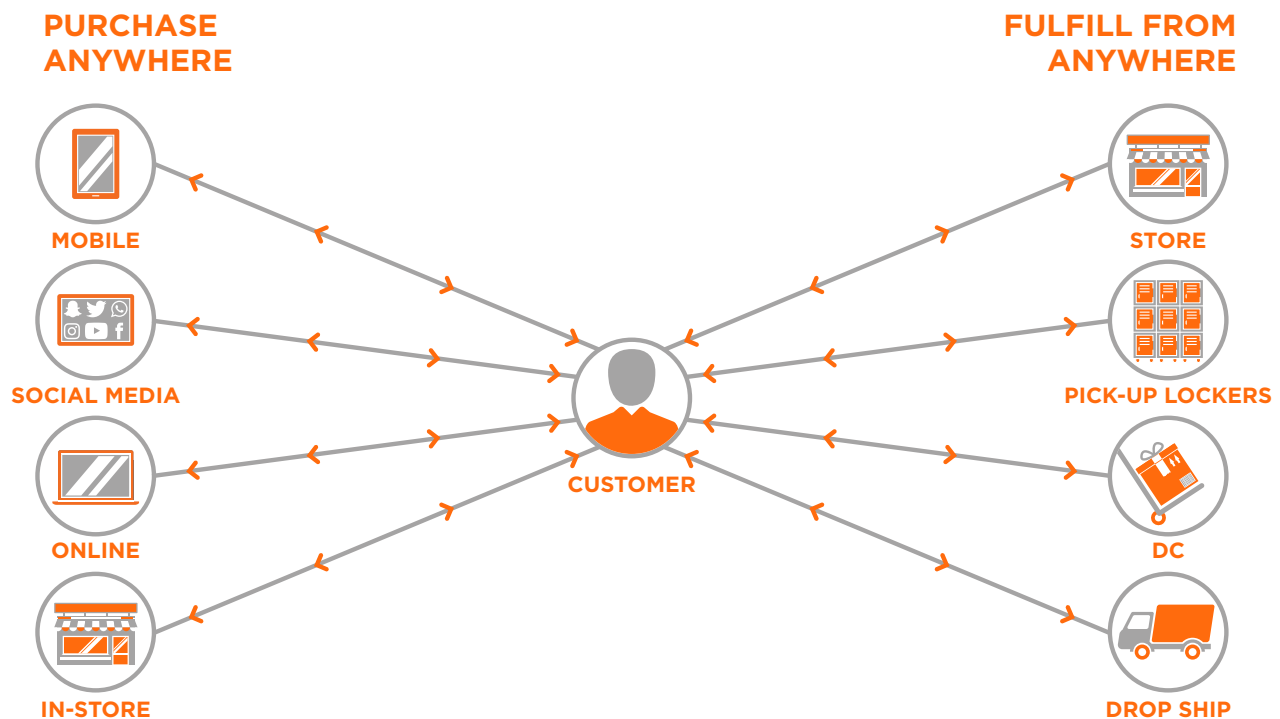
Despite the fact that Gen Z spends a great deal of time and will do their research online, many still prefer to shop in-store⁷. This generation expects a seamless customer experience and superior customer service no matter the channel. A broken multi-channel experience, in which a brand's store is disassociated from its eCommerce site, is unacceptable. Unlike their predecessors, GenZ expects all retailers to be connected across all channels and social networks. Your new generation of customers simply won't have the patience for operational inefficiencies.

According to TechTarget⁸, "Order management is the administration of business processes related to orders for goods or services. An order management system (OMS) automates and streamlines order processing for businesses."

In retail, an omni-channel OMS connects the retailer's various channels together into one seamless information system. It

gives shoppers access to information about whether a particular retailer has an item they crave, at the location of their choice for immediate pickup. Alternatively, it gives them the option to purchase online, then pick up their item in-store or from various different locations and options (lockers, corner stores, post offices and more). Aside from the options it will give your demanding Gen Z client, it will also identify the optimal way to fulfill the order. Then, after the sale, the OMS even helps with inevitable returns.

Certainly, the OMS capabilities provide all generations of customers with the consistent seamless experience across your sales channels. However, this is particularly important for Centennials to ensure you are both capturing and retaining these precious and experience-focused clients. Failing to leverage and prepare for a premium omni-channel experience is like announcing that you are preparing to drop your next generation of customers.



Distributed Order Management

Gen Z has a knack for engaging with a retailer or brand from anywhere, at any time. As such, the distributed order management component of a robust retail OMS offers the flexible, intelligent ability to process and distribute orders across all retail channels, wherever Centennials interact with your brand. An omni-channel OMS should manage the entire order lifecycle – for both retailers and customers – from initial acquisition to final fulfillment. Part of the job is keeping a single source of records on all customers, their orders and their returns.

Accurate Order Processing

A comprehensive and flexible processing workflow lets retailers process orders exactly how their Gen Z customers prefer. Retailers can customize workflows to capture payments, create invoices, split shipments or keep them together, if desired. A good system will also provide customer updates and notifications on the medium they choose. That means your new Gen Z customer can get an update on Snapchat as soon as their order is processed, while other shoppers may prefer an Instagram message, Tweet or phone call. Best of all, the ability to do so remains consistent, whether it is in person at the brick-and-mortar store, live chat through your website or on the customer's preferred social channel. Flexible workflows remove the complexity of managing special order types, such as pre-orders, drop shipments and subscription recurring orders—whatever the customer may request.

Flexible Rules Configuration

With rapidly changing customer and market conditions, flexible technology is critical for catering to Centennials. A user-driven platform designed for quick and continuous configuration and reconfiguration helps


retailers keep up with the changing requirements and short attention span of Gen Z. From fraud rules to tax rate calculations to shipping methods, retailers need the ability to configure how orders are managed and fulfilled with the touch of a button. All this also has to be done by a retailer's own staff, without having to hire expensive consultants for every tweak. As the influence of Gen Z grows, flexible rules let retailers meet their needs without implementing an entirely new OMS. This requirement to reconfigure to new and changing business needs will continue to grow alongside the expanding and change-oriented Gen Z customer base.

“28% of Teens claim that Snapchat is the most important network⁹”

Intelligent Order Routing

Gen Z has grown up knowing they can demand that items be shipped as soon as possible, often turning one order into multiple shipments. Retailers can address the negative effect of omni-channel orders on profit margin by using the intelligence of the order routing engine to reduce split shipments.

Intelligent order routing determines the best (and fastest) possible stock location from which to fulfill orders. A simple or light OMS may have a simplistic rule of always shipping from the distribution center (DC).



But this does not always make sense. If a retailer's DC is in Tucson Arizona, why would an online or in-store order from New York automatically get routed to a location 2,400 miles away?

A good system will intelligently factor in local inventory availability and geographic proximity. By reducing the costs and resources associated with split shipments

– extra packaging, pollution caused by additional fuel discharge, etc. – retailers can also address the concerns of this “do-gooder” generation that wants to reduce their impact on the world. In effect, a good OMS will help a retailer reduce their carbon footprint on shipping – another example of good brand positioning in a hyper-competitive market for the Gen Z shopper.

Global Inventory Visibility

Young customers demand transparency. That goes beyond corporate responsibility and penetrates the shopping experience. Gen Z requires that the retailers they visit, both online and in-store, be informative and up-to-date on inventory and options. By connecting global demand to cross channel supply, retailers ensure Gen Z shoppers have visibility into inventory—online, in-store and at the DC. A good system allows the retailer to choose what level of inventory is shown to clients and associates. Letting customers and associates have visibility into the entire pool of available inventory or a business-defined subset means a retailer can grow their omni-channel sales and reduce the risk of stock outs. Global inventory visibility allows retailers to make choices about the level of inventory visibility they want to allow clients to see, at any given time. For example, with a new product introduction the category manager may limit online inventory visibility to half of the stock available at any given store. Their choice may help ensure that all stock of the new item does not get routed exclusively to online orders. After all, in-store inventory is a healthy driver for store traffic.

Dynamic Safety Stock

Inventory visibility for Gen Z customers in particular ensures that those shoppers identify the retailer as their primary purchase

destination. If a store doesn't have the right item in the right size, color or selection, the right level of inventory visibility allows for a quick alternative sourcing within a retailer's brand, franchise or retail chain. That means saving the sale, delivering the product on time and continuing to cultivate a loyal customer relationship.

This option to show all inventory or limit inventory visibility is known as dynamic safety stock capabilities. It lets users determine specific inventory availability levels across their entire network or on a store-by-store basis, create new stock rules on the fly and feed availability levels in real-time into any channel. By employing dynamic safety stock, a retailer can meet Gen Z's need for instant gratification, whether they choose to purchase in-store or online, or some combination of the two.

Real-Time Allocation

Access to real-time information prevents overselling and underselling. Through a flexible inventory allocation workflow, retailers can determine at what point in the order processing cycle inventory is firmly committed to a customer order—from website checkout to final fulfillment at the store. This ensures inventory levels are accurate and customers can easily acquire the items they want or need before retailers lose their attention.

Store Fulfillment

Retailers can transform their stores into localized distribution centers to support faster delivery. This is critical to a generation that expects a seamless brand experience no matter how they choose to fulfill their order. By giving store associates access to a simple-to-use order fulfillment application, retailers can efficiently and accurately fulfill all types of omni-channel orders.

Associate Fulfillment Workflows

OMS fulfillment dashboards available to the in-store team can be optimized to let retail associates complete and deliver any type of customer order. This is important for retailers running the complex omni-channel fulfillment strategies that Gen Z expects, such as:

- Buy online, deliver to anywhere
- Buy online, pick up in store
- Buy online, ship from store
- Buy online, ship to store
- Buy online, return to store

Invoice and Shipping Label Printing

Good omni-channel order management systems allow store associates to print customer invoices and picking and packing slips that include SKU numbers and images to ensure rapid and accurate picking. The solution needs to be fully integrated with major global shipping carriers to quickly generate and print shipping labels and carrier manifests, while providing customers with updated tracking numbers and delivering the transparency Centennials expect.

Remedial Actions

A surefire way to alienate a Gen Z shopper is to provide poor service or fail to immediately remedy a mistake; after all, instant gratification is important to the Gen Z shopping experience. With an omni-channel OMS, when associates are unable to complete a transaction or have it delivered, they can immediately reject and reroute orders to another store for fulfillment. Users can automatically select from a dropdown list of locations with complete or partially available stock ready to ship to the customer. This provides distributed order management at the click of a button from the store.

Omni-channel Fulfillment Strategies Gen Z expects:

- ☑ Buy online, deliver to anywhere
- ☑ Buy online, pick up in store
- ☑ Buy online, ship from store
- ☑ Buy online, ship to store
- ☑ Buy online, return to store

Customer Service

Gen Z demands exceptional customer service, pre-, during- and post-purchase. A robust omni-channel OMS helps retailers provide personalized and consistent shopping experience, every time on every channel. With a diverse set of customer service tools, retailers can increase customer loyalty and lifetime value. This is a fundamental area in which retailers should invest, since 95% of Gen Zers read reviews¹⁰, and nearly two thirds read at least four reviews, before they make a purchase.

Intuitive Call Center Interface

A built-in Customer Relations Management (CRM) system can give customer service associates (CSA) a single view into the customer's order across various channels. It also lets a CSA review a client's purchase history, providing the personalized shopping experience that Gen Z values and demand.

Returns and Exchanges

Centennials expect their shopping experience to be consistent no matter the channel, and that doesn't stop once their purchase is complete. It includes the post-purchase experience. With a robust omni-channel OMS, customer service agents can quickly generate a return or exchange. In addition, associates can seamlessly manage stock reallocation, email notifications, payment refunds, financial reconciliations and customer profile updates, meeting the needs of Gen Z on a number of levels.

Case Ticket Management

A true omni-channel OMS allows retailers to track and manage all in-bound customer emails and phone calls with efficient case ticket management system. Retailers can delegate customer requests to service agents and configure personalized email response templates for quick response.



Survival of the Fittest

Like most things, the future of retail comes down to the survival of the fittest. Implementing an omni-channel OMS is a crucial part of a retailer's survival as the next generation comes of age. An omni-channel OMS allows retailers to interact with Gen Z and ensure the retail brand remains relevant to tomorrow's most influential shopper segment.

Not every OMS on the market today offers the features and capabilities described. These are many critical aspects which will help retailers deliver the experience and products Gen Z demands. Fortunately, OrderDynamics already delivers these capabilities in today's OMS.

Contact OrderDynamics to find out more about the order fulfillment systems you will need to capture and keep the attention of tomorrow's most influential shoppers.





OrderDynamics is the world's leading SaaS Order Management Systems provider. Focused on powering retail fulfillment, OrderDynamics helps clients in omni-channel retail markets. Our OMS systems give clients capabilities like order orchestration, enterprise-wide inventory visibility, returns management, customer service, and store driven fulfillment. OrderDynamics enables customer options like click and collect, and ship-from-store, creating exceptional shopping experiences. Iconic brands including Speedo, Quiksilver, J.McLaughlin, JYSK, Princess Auto, Bouclair Home, and now DeFacto, use OrderDynamics technology across North America, Europe and Asia.

OrderDynamics Corporation

Visit www.OrderDynamics.com for more information about Order Management Systems and how we can help optimize your Omni-Channel Retail Business

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