

Millennials Ruin Everything Especially Retail and Your DC

Presented by:
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powered by  MHI

Millennials Ruin Everything

Especially Retail and Your DC

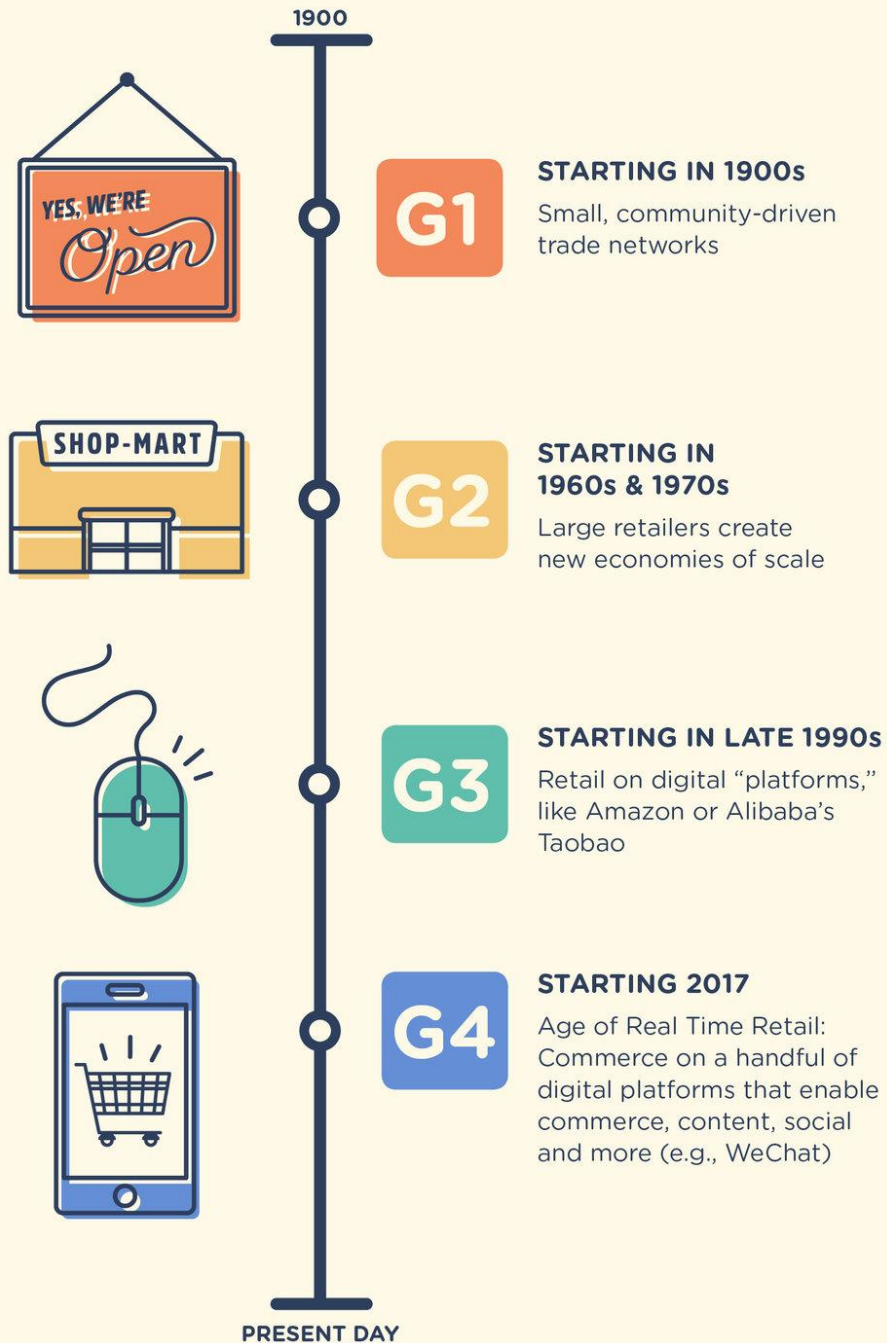
- **What You Will Learn**

- Millennials are wreaking havoc on the world, and our industry is no exception. Retail and distribution are changing because millennials shop differently. They focus on the shopping experience, culture, selection and, of course, fast, free shipping. These tendencies present tough challenges that are forcing retail and distribution practices to evolve. In this session, we'll discuss how to adapt to the demands of the “participation trophy” generation.

*Please note: No participation trophies will be given in this presentation.

- **Key Takeaways**

- Traditional vs Modern Retail
- Learn how others have adapted to these trends



Retail Has Significantly Changed With Each Generation

Different generation, different expectations

Growth directly attached to retail channels



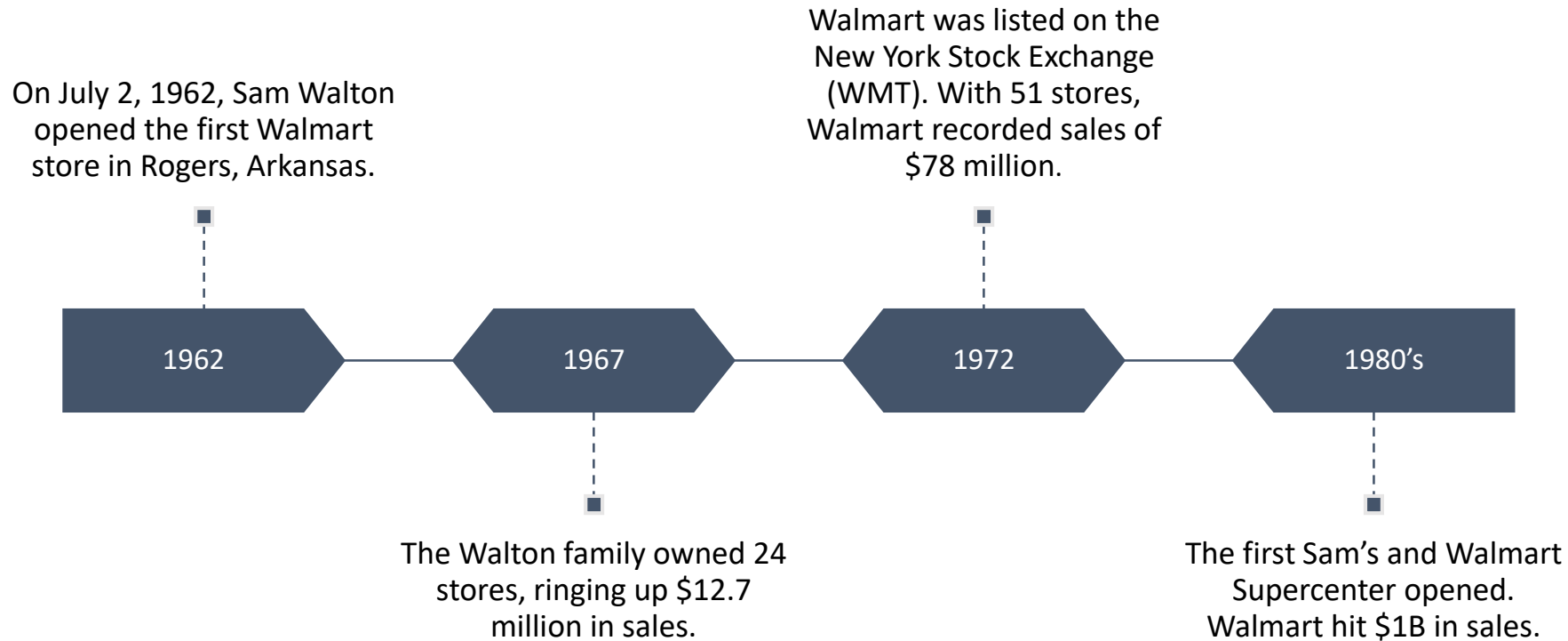
TRADITIONAL RETAIL

Physical Stores

Little to No Online Presence

“If you build it, they will come”

“LOW AND SLOW” GROWTH



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ECOMM MODEL

Online Retail

- Born Online – Primary Focus
- No stores/physical footprint
- “Ship it to me, ship it fast”
- “Retail Apocalypse”
- Created “Quick Growth” model



amazon

QUICK GROWTH MODEL

High and Fast" Growth



- Founded in 1994
- Fastest company to reach \$100B in sales



- Founded in 2014
- Acquired by Walmart in 2016 for \$3B



- Founded in 2011
- Acquired by Unilever in 2016 for \$1B



- Founded in 2011
- Public in 2019 – Over \$1B

CUSTOMER BASE

Boomers

- **Traditional**
- “Although they regularly make purchases online, Baby Boomers by far prefer the personal engagement of traditional stores when making actual purchases. At [84 percent](#), Boomers were highest amongst all survey groups in expressing their preference to shop in-store, and [67 percent](#) report that if an item they want is available online or in a nearby store, they prefer to purchase it at their local retailer rather than order online.”

Gen X

- **Ecomm**
- Xers won't purchase a product until they've researched it thoroughly, which is why they make extensive use of search engines, online reviews, and social media networks before making a purchase.”

Source:

<https://salesfloor.net/blog/generations-shopping-habits/>



CUSTOMER BASE

Millennials are now primary focus

- Must adapt to their needs
- Blend **traditional** AND **ecomm**
- Of course millennials want it all
- **Complicated – they're a pain!**



WHY SHOULD YOU CARE?

“By 2020, millennial spending in the U.S. is projected to reach \$1.4 trillion annually, accounting for 30 percent of total retail sales.”

Source: <https://www.mytotalretail.com/article/how-millennials-are-changing-the-retail-industry/>

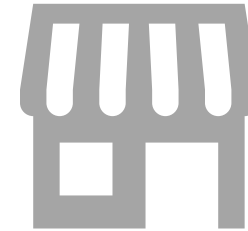


WHAT MILLENNIALS WANT



Millennial Values

- Experience
- Convenience
- Options/Choices
- Perceived Value
- Generosity



Modern Retail

- Hybrid Approach
- Heavy online presence
- Building physical stores too
- Stores act as showrooms
- Order in-store ship to home
- Shop in-store, take home from store

WHY AN OMINCHANNEL APPROACH?

Customers demand access to physical product:

- Emphasis on customer experience
- Builds loyalty
- Drives foot traffic
- “50% of millennials say they prefer going to physical store locations.”

Source: <https://www.cbinsights.com/research/millennials-killing-industries/>



WHY AN OMNICHANNEL APPROACH?

Faster shipping:

- 2 day (in some cases, same day)
- Faster shipping = repeat customers
- Today's buyers are also increasingly seeking shopping that is **tailored to their preferences** and delivered directly to their doors. These trends has resulted in the emergence of subscription e-commerce.
- The sector has seen explosive expansion since 2010, growing from \$57 million in sales to more than \$2.6 billion in 2016. According to a report by McKinsey & Company, 15% of online consumers signed up for subscription services in 2017.
- The trend goes hand in hand with users' **search for experiences**, as they are more willing to shell out cash for a service that delivers a tangible benefit along with a personalized offering.

Source:

<https://www.forbes.com/sites/jiawertz/2018/11/28/5-trends-that-will-redefine-retail-in-2019/#6e006f4c6526>



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SECOND HAND IS FIRST CLASS

Millennials Love A Deal

“Millennials would rather spend their money on experiences than designer clothing. They’ll buy inexpensive, unique clothing instead of pricier goods that appeal to an older generation.”

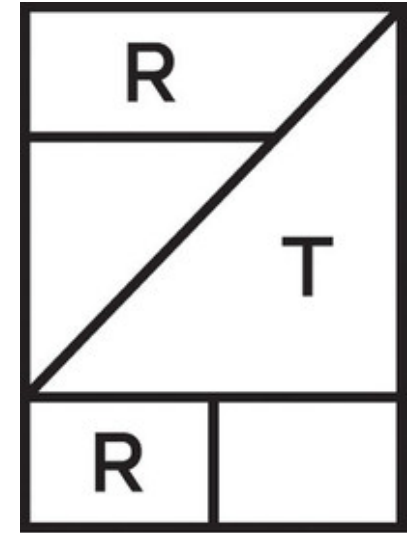
Source: <https://self-made.io/millennials-are-killing-these-40-brands/16308/13/>



MAJOR INDUSTRY DISPUTERS WITH HEAVY FINANCIAL BACKING

The RealReal
AUTHENTICATED LUXURY CONSIGNMENT

THREDUP[®] **CaaStle**



RENT THE RUNWAY

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POP-UP: WORN WEAR RESALE

Resale market has grown!

Re-commerce has expanded 21x faster than traditional retail over the past 3 years.

Who's in the game?

- Patagonia
- thredUP is partnering with Macy's and JCPenny
- Vestiaire is partnering with Selfridges
- Neiman Marcus took stake in Fashionphile

Source: <https://footwearnews.com/2019/business/sustainability/patagonia-worn-wear-resale-pop-up-colorado-1202875630/>



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New Demands – New Fulfillment Challenges

True Omni-Channel Fulfillment

- Order online, **Pickup in store**
- **Order online**, Ship to home
- Order in store, **Ship to home**
- **Order in store**, Take home from store
- By the way – do this with less labor



“Digitally-influenced brick & mortar sales dwarf e-commerce. While e-commerce now accounts for (depending on the source) some 10% of all retail sales, both Forrester and Deloitte have estimated that web-influenced physical store sales are about 5X online sales.”

Source: <https://www.forbes.com/sites/stevendennis/2017/06/12/retails-single-biggest-disruptor-spoiler-alert-its-not-e-commerce/#4bfcd94e227b>

How Should Your Fulfillment Operation Adapt?

STAY CLOSE TO THE END USER

- Multiple DCs – regionally focused
- Physical/store presence
 - Hundreds of “boutique showrooms”
 - Smaller footprint

A HYBRID BUSINESS MODEL

- Flexibility
- Clear long-term business strategy
- Transparent partnerships throughout

DESIGN TRUE ONMI-CHANNEL OPERATION

- Access same inventory regardless of channel
- Account for VAS, specialty inventory/dunnage, etc.
- Don't give up the things that make your business unique

CAPACITY GROWTH STRATEGY

3PL

- Share the load

Self Fulfillment

- Closer connection to clients
- Shift DCs

Hybrid Approach

- Best of both worlds – more irons in the fire

CHALLENGES



YoY 100%
Growth



Every
SKU/Vendor Is
Unique



Complex
Inbound Process



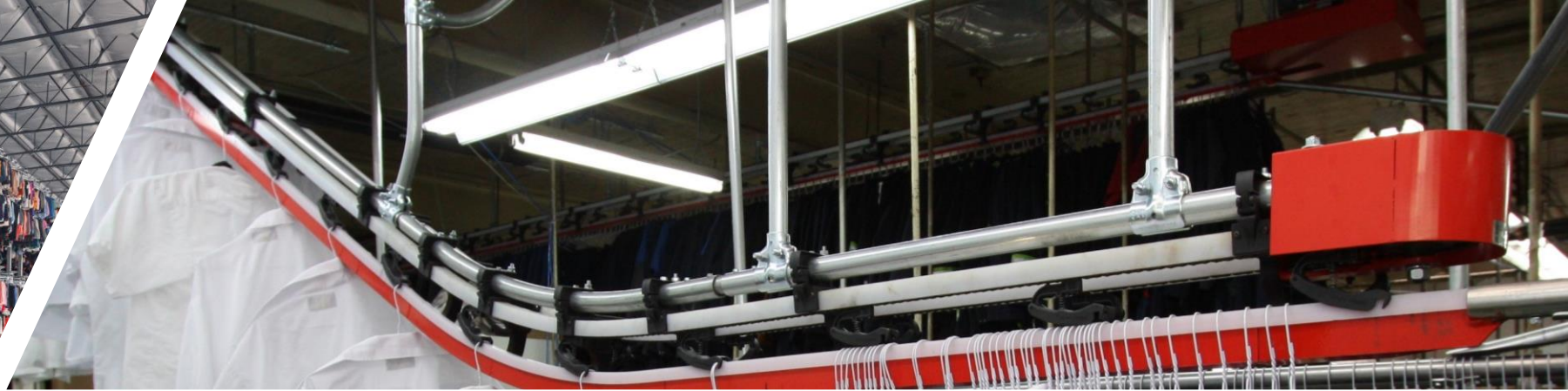
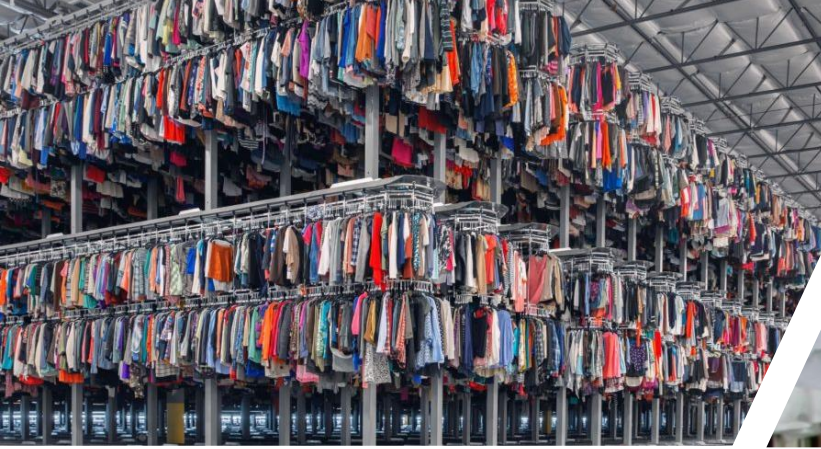
Unique To
Sustainable
Industry



Venture Funded



Added physical
stores



PROVEN TECHNOLOGY



Multiple Technologies – One DC and Software

- **REI**

- Pocket
- Shuttle

- **Apparel Clients**

- Goods to Person
- Carousels



SO...HOW DO YOU ACCOMMODATE ACCELERATED GROWTH IN A DC?

Key Factors

- Know, study, and live by your projections

Phased Approach

- Space it out - BE ON TIME
 - Being on time directly affects their ability to grow
 - “Open heart surgery”

Design Flexible Solution

- Design an entire SYSTEM – not just one piece of technology
- Grow together

WHAT'S NEXT?

GET PREPARED FOR GEN Z!

QUESTIONS?



For more information:

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Or visit MODEX Booth #3019 and #2819

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