



Stationary Retail from the Perspective of Digital Natives

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Abstract

Digital natives have little fear of the online world. They are gladly and often served by the popular online providers such as Amazon and Netflix at home and would actually hardly have to leave their homes for everyday errands. And yet: the door to stationary retail is not closed per se. It's just that there doesn't seem to be a compelling reason to go offline. It is time for stationary retailers to return to their original strengths and engage with younger customers. Philipp Riederle, himself a digital native, explains in an interview exactly how this can be done.

10.1 The Concept of Generations

M. Schweizer: To start with, can you briefly explain what you mean by the construct of generation?

P. Riederle: We only use generations and the concept of generation as a tool to describe trends and tendencies in social development. It is not the case that someone born on 31 December 1994 is fundamentally different from someone born on 1 January 1995. Year

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classifications are never separable, nor are all members of a generation exactly the same. A digital native born in 1999 or 2000 may be more analogue than someone born earlier. Generations describe tendencies, but never provide clear and conclusive explanations for every individual in the age group. Moreover, it has always been the case that societies also divide themselves further within a generation, into so-called milieus. Depending on the socio-economic conditions or cultural environment in which someone grows up, he or she belongs to a different milieu and behaves accordingly. For example, there are people who prefer to spend their entire lives in a Swiss mountain village and others who change jobs every 6 months and travel all over the world. These milieus still exist. In summary, we can say that generations describe major social trends that apply to the different milieus to varying degrees.

And what distinguishes the young generation, the digital natives, in your eyes? What is special about this generation?

I like to summarize the generations Y and Z as digital generations. Because there are differences, but they are not decisive in a first step. Depending on the literature, the individual generations also start a little earlier or later. In my view, the digital generations are subject to three major areas of change: First, the digital transformation, which is not a transformation at all for these generations, but has simply always been there for them. We are the first digital generation, which makes us substantially different from the analog generation. We never knew the world any other way. Secondly, we have grown up in a time of demographic change. At present, for example, fewer than half as many children are born in Germany as in 1960. And thirdly, we are growing up with a change in values. This is not unusual for younger generations, but the change in values in our country has curious facets that one would not associate with our generation in this way. The common image of the digital generation is that it is superficial and only conducts relationships via the smartphone. But youth studies show that values like personal connection and home are more important to the current generation than to any other generation since records began.

What do you think is the cause of this?

Many people have the image in their mind's eye that we are a superficial smartphone generation that only has swipe relationships anyway. Or that after the Fridays for Future demo we'll fly to New York for the weekend to go shopping. But how does that fit together? The answer is because we've always been able to go anywhere to do anything, and because we've always had the ability to connect with people all over the world. That's precisely why we crave a certain constant in life that we can rely on and where we can always come back to. That's why home is important to us. Plus, studies show that 75% of my peers want to raise their children the same way they were raised. Rebellion or rebellion doesn't seem to matter to us anymore. We drink less alcohol, use less drugs, and smoke less on average than our parents. We are, in a sense, a buffer generation.

10.2 The Digital Generation in Working Life

In Switzerland, digital natives will take over the majority in terms of numbers in 2020, and this will also happen soon in Germany. What impact will this have on society in general and working life in particular?

The effects on working life are manifold. In Germany, we currently have about one million unfilled positions and about 60,000 training positions that remained unfilled at the last start of training. This situation is becoming even worse because the baby boomers with the highest birth rates will be retiring in the next 3–5 years. In addition, the shortage of skilled workers has been exacerbated by the hiring freezes that have been in place in many companies and industries since the 2000s. Companies now have a large proportion of employees who are already older and will retire in the next 5–10 years. At the same time, they are not finding enough skilled workers in the labor market. I have clients where two-thirds of the entire workforce will retire in the next 3–5 years. This means that our generation will have a new negotiating position. It means we can choose the company instead of the other way around. This in turn forces companies to invest in their employer attractiveness.

The digital transformation will have further effects on working life. The digitalized market environment places new demands on companies. To meet these new digital market demands, an organization must transform itself. Fortunately, the content of these transformations and what digital natives see as an ideal work environment go hand in hand. Our ideas of an ideal work environment are definitely shaped by digitalization. This is a major challenge for companies.

How can or must companies prepare for the generation change? What new framework conditions are necessary?

Let's start with what's important to digital natives when choosing a job, for example. Studies say that different generations have always wanted job security. Job security is important to everyone. But if you look at how different generations define the value of security, the different generations differ significantly from each other. For my parents' generation, security was primarily about earning as much as possible, having high status, and wielding power in order to be irreplaceable. In my generation, these values have slipped to the back of the queue. Instead, values such as a sense of purpose, self-fulfillment and an adequate work environment are at the top of the list for us. Having a meaningful task every day, learning something new every day and having a good time every day. When it comes to the question of what the framework conditions are for this, then it's about topics such as suitable organizational models, digital tools & processes and skills & abilities of employees.

Where do you currently see the greatest conflicts on these issues?

Making all these changes, which in turn are mutually dependent, consistently is a huge challenge. I see a lot of companies who think Digital Transformation sounds like a Facebook account and then just put a new branding video on Facebook and rave about how great, innovative and sustainable it is to work for them. However, nothing is gained by

doing this. Later, companies offer home offices to employees. Nothing is gained by that either, because the digital generation already takes that for granted. You have to see the connections: If I allow home office, then I also need the corresponding digital tools and processes so that I can work from home under the same conditions and without loss of information. I need appropriately trained managers who can also lead remotely and with digital tools. And I need to be able to organize myself in such a way that I can do this.

As a company, how can I prevent rifts from opening up?

First, it is important not to deny the current change, even if it is challenging. You have to tackle the issues before it is too late. Secondly, the gap between the digital and analogue generations must be closed. That is, there must be no hostile collaboration and no rifts between the generations. Change only works if the generations work together. The elders must be willing to learn from us and we must be willing to break down our prejudices. Third, the whole issue is new and complex. There is no getting around sourcing expertise externally. That means educating my employees and managers. People talk about agile working very often. Then when I ask them what that means, 90% have no idea what it means exactly. Then they say the working world has to be fast and agile like a sports car. That shows: the principle has not been understood. Agile working is about specific methods, behaviours and approaches. There is an agile manifesto, which aims to concretely improve collaboration. This requires money, because the employees have to be trained in an advanced training. It is necessary to train the employees so that they have an idea of what they are talking about and what they are doing.

Can you even hear the keyword agile working anymore?

I could argue for days with people who know what they're talking about. But if it's more about bullshit bingo and the company is only taking token measures to be seen as a modern company, then it's actually too bad for me to discuss it further. There is nothing wrong with addressing these issues, but it has to be done seriously. When done right, agile working can really help a company. It's just that many companies engage in innovation theater, and nothing comes out of it except a few pretty pictures.

10.3 How the Digital Generation Consumes

If we now turn the focus to consumption: What distinguishes the digital generations? Where are there differences in the act of buying and consuming products compared to the pre-digital generation?

There are many different facets to consider in this area: It's about sales and marketing channels, the product or the business model itself. These three facets are subject to different drivers of change. Let's start with the simpler issue, marketing. When it comes to marketing, we demand all forms of digital marketing. We naturally expect social media platforms to be played on, and authentically so. Social media also serves personal networking, which is why reports there should be as authentic and direct as possible.

Is it even possible today to communicate authentically via mass channels?

More or less, yes. Of course, it depends on the company and the product. But instead of a model, it's better to put a real employee in a real store between the shelves.

Again, this claim is not really different from that of older generations.

Of course, the older generation also prefers authentic reporting. But our generation was shaped by social media and therefore we expect that to a completely different degree. The different channels have different communicative requirements and characteristics. On the subject of marketing, this is also very product- and industry-specific.

On distribution channels: It also depends on the industry and the product, but it doesn't go quite that far. For our generation, the decisive factor is that online sales channels are available. Whether we then use them is not the issue. They simply need to be there. If there are no online sales channels, then we don't go to the retailer to look at a product offline. We inform ourselves beforehand and if we don't see the product online, then it doesn't exist, so to speak. Digitalization also brings new wishes: A direct connection to the shopping list would be conceivable, so that I could order directly from the shopping list app. Or a direct connection to the refrigerator, which can order itself.

How do you see data protection in this networked world?

Of course, we know that some of the services we use that make our lives so much easier can't work without data. My fridge can only order for itself if it knows what I want. And it can only suggest recipes if it evaluates my shopping behavior. But we are happy to put up with that. At the same time, we still expect that our data will not be shared with third parties without being asked, and we also support the EU General Data Protection Regulation. There has to be a certain amount of control over our own data. It is probably more an individual than a generational question whether we are prepared to pay effectively with our data.

So there needs to be a value in return so that you can live with your own data being used by companies?

Definitely. The problem is that people in Germany don't actively learn at school how to deal with what's happening behind digitalization. There is little awareness of the issue of data protection and knowledge of what can happen to one's own data and what the computer does with it. This knowledge is not present in the older generations either. But because they tend to be sceptical, they often don't use a service at all.

When you look at consumption itself: What role does consumption play in the digital generation?

Consumption plays a crucial role for all of us, that is not generation-specific. What is generation-specific, however, is that we do not want to accumulate more consumption. We are very critical in that respect. This means that the status symbol is no longer the big watch or the big car, but rather the bulging Instagram account with all the photos. These are more intangibles that symbolize that you've been to a nice place and had a good time there. This can also explain the popularity of sharing models: Why should I own a drill or a car if I only need these things occasionally anyway? At the same time, owning your own identity is an issue for all generations. What's interesting is that it's not clear-cut with our generation, though. If you look at consumer habits, there's no tendency for our generation

to be eco-consumers or bargain hunters. On the one hand, we queue up at Primark and then buy the expensive Patagonia shirt. Depending on the situation or product group, it can be one way or the other.

Why do you think your generation still shops in stores at all?

Because unfortunately some products are not yet available online. That would at least explain my own consumer behaviour. I buy almost exclusively online, except for groceries, because that's not yet available in Germany the way I'd like it to be. Otherwise, I think stationary shopping is a complete waste of time. In general, I would say that stationary retail is in real competition with online retail. We have to constantly ask ourselves to what extent the extra effort I put in to make an offline purchase is worth it. I can order any product online with one click and it will be carried to my home without much effort. It's easy and relaxing. Online, I find more information about a product than I would ever get from a salesperson. And then I can even return online orders for days without having to get into a discussion. Offline retail needs to be aware of its role and constantly look at how it can keep up with online retail so that it is back on par in terms of customer service, returns policy, quality of information and advice. Ideally, it would be better than online retail on these issues. However, many retailers are already struggling to keep up with online retailing at all.

Is the stationary retail already dead?

Yes and no. Offline retail must return to its tried and tested strengths – especially in terms of the quality of advice and the curation of products. Online, for example, I can choose a pair of ski goggles from 2000 different models, which overwhelms me in terms of quantity. But if I only find the ten best ski goggles in a specialist shop and the salesperson also measures my head exactly so that the goggles fit perfectly, then offline retail wins for me. Unfortunately, this service is not available at too many retailers due to margin pressure and other issues. That's why I usually only find the standard assortment, which I can find everywhere anyway. There are usually too few employees on site who know their stuff, because they are expensive. But that would be an opportunity for retailers if, as in this example, I have too much information and no desire to deal with it.

Curating the assortment, service, employee competence and the on-site experience, so these could be profiling elements that also bring the younger generation into the stores?

Exactly, that would be the value proposition of offline retail. But for me to even get the idea of going to the local retailer, you also need a corresponding marketing strategy. That means that with the perfect offline retailer, I also have the product range online and can perhaps reserve or order my purchases in advance. Or I can make an appointment for a consultation and when I arrive, the consultant is already waiting. I am also willing to pay a little more for such services.

You can also see with our generation that when everything becomes digital, real experiences gain in importance. You can see this for example in the development of sales figures for concerts compared to the development of sales figures in the music industry in general. You can see a sharp increase there.

A clear plea not to focus offline exclusively on efficiency, but to sharpen the value proposition. No one comes to a stationary store anymore because of standard services.

Exactly, retailers have to invest instead of saving. Amazon and the online retailers are also investing with their new logistics centers for same-day or same-hour delivery. I can't hear the retailers whining anymore about how mean and evil online retail is. However, no one can assume that everything will always stay the same. They also need to invest and make their mark. There are also enough retailers who do just that and offer exactly the service required. They've got it going on. Interestingly, Amazon is getting into offline retail. However, they are not doing this with the classic standard assortments, but with curated assortments and the connection of the channels.

10.4 The Digital Generation in the Stationary Store

I would like to walk with you imaginary through a stationary store. You have already mentioned the journey. You have to drive to a store and that's where the bill starts: Is the journey worthwhile or not?

That is the crucial point right at the beginning: Is it worth the effort? I don't think there's much more to say about it. If the retailer manages to build up a pull, then we take the journey upon ourselves, if not, then not.

At the same time, however, it is also important to keep an eye on changing mobility behaviour. In big cities, for example, driving licence graduates have halved. When I'm at the ski shop or the hardware store and I'm handling large products, I need an adequate overall concept. Are car-sharing, rental cars or cargo bikes available in front of the store? Is there a delivery service?

The first impression is usually the one that stays. How do you perceive the greeting at stationary retailers?

If I want to differentiate myself as an offline retailer from online sellers, then I should already offer a kind of feel-good atmosphere.

What constitutes a feel-good atmosphere for you?

In terms of the spatial effect, everything should be coherently designed and inviting. Are there certain lounges, seating options or retreats where I can take a break or put something down that I'm carrying around? Or where I can flip through the book or magazine and have a coffee? For me, a feel-good atmosphere also includes how the employees approach me as a customer. Are they friendly and do I notice that they really want to help me and that it is important to them that I am well advised?

How do you generally rate the advice and customer service in stationary retail?

I often see employees following an internal incentive system. I find that terrible. After just two sentences, I notice that the salesperson simply wants to sell me something. I am convinced that customers sense this when the salesperson has a hidden agenda. It makes them feel uncomfortable. It's better to sell the customer less, but have them walk out

feeling good and come back. That's much better than simply making more margin, taking the customer completely by surprise and then making them feel ripped off.

You said that curated ranges can trigger a pull effect. What do you mean by curation?

A sensible selection of different products, ideally each the best in its segment and perhaps meeting different needs. It could also involve bringing together unusual products or product groups that don't normally come together. With a curated range, you can see that there are people behind it who have put some thought into it. If I'm just presented with the standard range that's just been unpacked without the staff having put any thought into it, I don't need a retailer to do that for me. It's quite clear that curation also costs the retailer something. But we are quite prepared to pay more for a product in the store. But it has to be obvious what added value I get when I buy a product in the store.

One argument in favor of stationary retail is multisensory. You said at the beginning that you buy everything online. Don't you miss the sensuality here?

Yes, but we weigh up the extent to which the additional expense is justified or not. Let me give you an example: I was looking for a mattress protector for my bed. On Amazon I see several models with different ratings. I am dreading having to make a decision. In offline stores, there are exactly two models that are completely overpriced from my point of view. At least I can touch the products there, but unfortunately they do not meet my needs. Then I go back to Amazon and order two variants with different materials and try them out to see if they actually fit. I know I can send them back if they don't fit. If I buy the product in the store, I can try that out too. But if I return the item to the store after half an hour, I can do that, but I know that I will then have to have a discussion with the salesperson and go back again. With the online retailer, I can just send the package back, it doesn't get much easier than that. That's the big balance. Of course, it would be nicer if I could touch the product briefly beforehand. But if I can, I'd rather order three different variants online than spend so much time in stores discussing.

It's exactly the same with food. Fifteen years ago, everyone said you can't sell food online because people want to touch the products. But if I, as a customer, have had the positive experience twice that the vegetables are not mouldy after all and don't have any bruises, then I will buy my vegetables online from now on.

Are there any retailers that you can see are coping very well with the digitalization change?

I am not a friend of examples, because examples tempt to idealize them. Every retailer is completely different in its orientation and target group, its location and its business model and must think individually about how it can solve these issues for itself. Sure, I know examples of retailers who do it particularly well. These are mostly local or regional lone warriors.

Can you paraphrase what they do particularly well?

One of my absolute favorite retailers is right around the corner from me. An organic supermarket that also offers a lunch menu and cooks super delicious dishes every day. As ingredients, he uses products from the store that are close to their best-before date or have

pressure marks and are therefore barely saleable, but are of impeccable quality. He offers cooking classes, knows the local farmers and shares experiences, tips and recipes with customers. He's so great, I don't expect an online store from him at all. But I do expect to find a menu online for every week.

As a representative of Generation Y, how do you perceive the current reactions of stationary retail to the digitalization wave in general?

What I often see is that the big club is unpacked, that the online retailers are so mean and ruin the business and that everything is bad. But it's not the online retailers that are killing the business, it's their own business practices that don't fit in with the times, to put it bluntly. Retailers are facing the same challenge as any business, which is having to see themselves more and more as technology businesses, and that's what's happening to retailers now.

For example, I am a huge fan of Click & Collect. I think it's wonderful and I think it's terrible that some retailers are abandoning or stopping the experiment. It may be that I would like something quickly, but don't feel like marching around the store for an hour. Click & Collect forces retailers to showcase their range online. If I'm going to do my research beforehand anyway, why can't they just put that dowel right at the front of the entrance for me, so all I have to do is pick up the product? Plus, Click & Collect also offers the ability to change returns. When clothes shopping, I'd like to have three options to choose from and wish the retailer would prepare those choices for me while I'm still in the dressing room. That way, all I have to do is go into the booth, try everything on, and then only take home what I actually need or fits me. It may also be that these stores are in places that I walk by every day anyway. Then I say to myself, if I'm going to walk by there every day anyway, why should I have the item delivered to my house at 2 pm in the afternoon when the delivery guy is going to be at a closed door anyway? I'll be at work by then.

In summary, it could be stated that you are not averse to visiting brick-and-mortar retail, but due to in-store vagaries, the online channel is clearly more convenient and attractive. If the advice was personalized, personable and authentic, if the assortment had a story, if the experience was designed so that I could experience the product in context, if the dwell quality was there, if I could get to the retailer conveniently and without wasting time, then the brick-and-mortar retailer would definitely be a valid option compared to online retail. Is that the case?

Exactly! It's about many different sub-aspects that we value and that then shape the overall experience. In case of doubt, I don't care about the journey or the location if the product is delivered to my home after the purchase. And if I find out that the shoe doesn't fit me after all, I can simply send it back without having to go there again.

Philipp Riederle (born 1994) is considered an expert for and bridge builder between the digital generation and its predecessors. At the age of 13 he was already storming the podcast charts, and at 15 he founded his own company. Awarded the title of "Digital Head of Germany" by the German government and appointed to the Advisory Board Digital Economy NRW, Philipp Riederle gives talks on the topics of digitalization and the future of work. He analyzes and identifies strategies with

which companies can inspire the digital generation for their content and products, but also retain them as employees. As Germany's youngest management consultant, he has already worked with over 450 international companies on their digital competence.

Dr. Markus Schweizer studied business administration at the University of St. Gallen, specializing in strategy and organization. He then completed his doctorate – also in St. Gallen – at the Institute of Marketing and Retailing (Gottlieb Duttweiler Chair for International Retail Management) on the phenomenon of “consumer confusion” in retail. Markus Schweizer held leading positions at tegut ... gute Lebensmittel and Migros in Switzerland from 2006 to 2016. Since 2016, he has been managing director of Holistic Consulting GmbH in Hanover, a boutique consultancy for customer-centric thinking and action. He also teaches retail management at Leibniz-FH in Hanover and is the author of several specialist books and articles on the successful transformation of retail.