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The changing role of the store: Is your workforce ready?



INTRODUCTION: STORES WILL LOOK DIFFERENT IN 2020 – SO WILL THE WORKFORCE

Retailers across segments (department stores, luxury, general merchandise and others) are either implementing or contemplating rapid store transformation measures to avoid the risk of store closures due to modest or negative same-store sales trends that they are experiencing today. These companies find themselves in a tough spot due to additional challenges such as high customer service and store experience friction, Amazon's category-killing growth and the exponential growth experienced by digital channels.

These factors are expected to have a significant impact on stores over the coming few years. The latest global research from EKN Research and Avanade shows that stores are likely to fulfill very different roles in 2020 and beyond, as retailers expect new, distinct store formats to take hold. These significant shifts will require the store workforce to change as well. Yet retailers appear to be behind in getting their workforce ready for what lies ahead.

So, what are the business decisions, capabilities and enabling technologies that can help retailers transform their workforce to turn their 2020 vision into reality? To answer that question, EKN Research surveyed 161 retail executives across the U.S., Europe and Asia Pacific in a wide range of segments, including apparel, grocery, home goods and more.

Summary of key findings

The research uncovered a number of key findings, including:

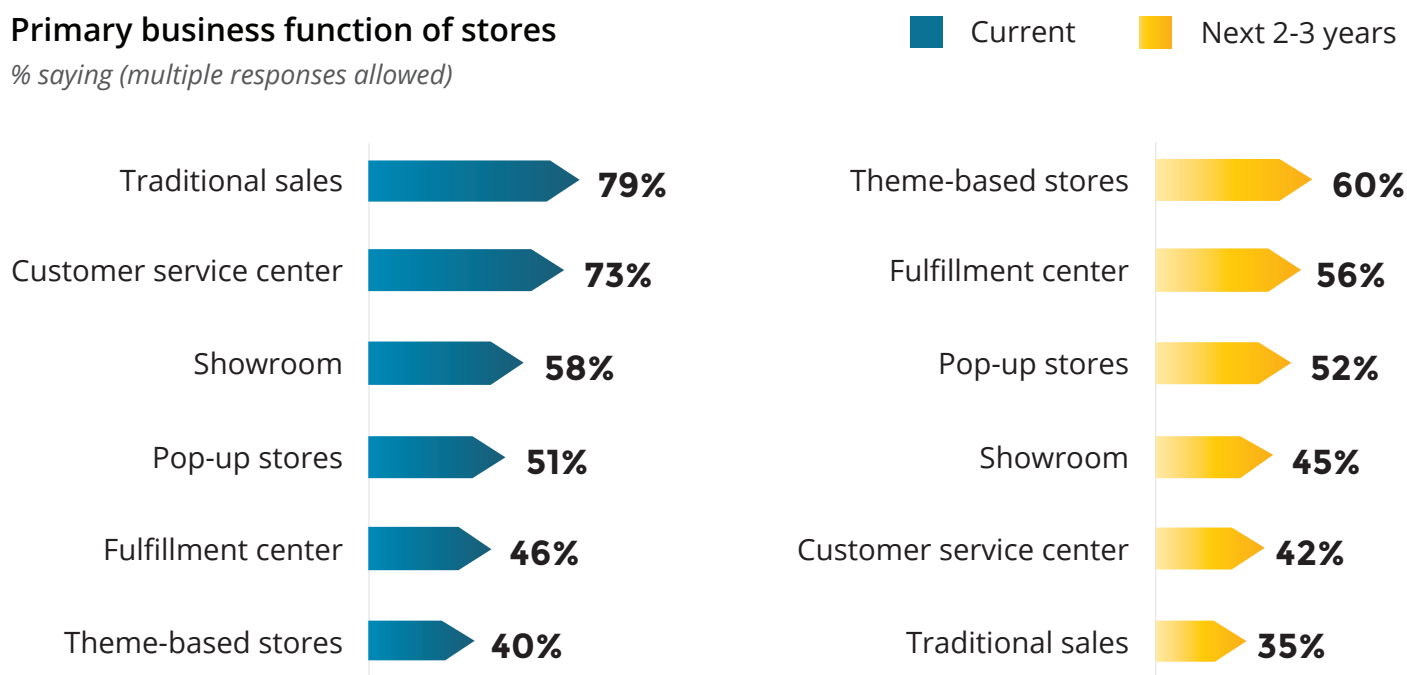
- Over the next two to three years, retailers will increasingly move to new formats like theme stores, online fulfillment centers/logistics hubs and pop-up concepts.
- The workforce will need to focus on different capabilities and in-store activities to support these new formats.
- There appears to be a gap between retailers' vision for 2020 and their plans on how to realize it, particularly regarding how store activities will be allocated.
- Demographics will make a difference as the store workforce talent pool shifts to include more temporary workers and millennials.
- As stores evolve, the importance of the digital workplace will grow in order to ensure that employees are engaged and empowered with the right sales, service and operational capabilities and technologies.

The sections that follow provide more in-depth data and analysis of these findings.

THE CHANGING ROLE OF STORES

Primary business function of stores

% saying (multiple responses allowed)



For more than half of the retailers surveyed in our global study, the traditional sales role of stores will see a major shift towards theme-based concepts, fulfillment centers and pop-up stores by 2020. This means that among other changes, the execution and service role played by the store workforce must similarly evolve to support the new store formats.

The traditional sales role refers to a standard in-store customer shopping experience: finding a product, making a selection and an in-store check-out experience. In several such scenarios, there is little, if any, engagement between shoppers and the store workforce, unless an item is out-of-stock or some additional information is needed by the customer. This traditional sales approach remains commonplace today in many retail segments, including grocery, general merchandise, drug, convenience, do-it-yourself and others.

But this traditional store model needs to evolve towards a more relevant experience for customers. Six in ten retailers in our survey will move towards theme-based concepts, which are focused on attracting very specific customer segments with themes like kids' entertainment, hobbies or lifestyles. In addition, by 2020, more than half of the retailers surveyed expect to use stores as fulfillment centers for online orders, and a similar number will launch pop-up stores, including event-based or seasonal concepts.

By 2020 **56%** of retailers expect their stores to evolve into online fulfillment centers.



These intended changes indicate a move towards customized experiential stores, operating stores as hubs of omnichannel fulfillment and applying a different flavor of frictionless commerce that will be carried out with the help of the store workforce, integrated processes and technology. But are retailers – and the workforce – ready to achieve this vision of tomorrow's stores?

“In the last few years, there have been more disruptive digital technologies that have made their presence felt in the stores, i.e., smartphones, tablets. It has impacted the stores a lot.”

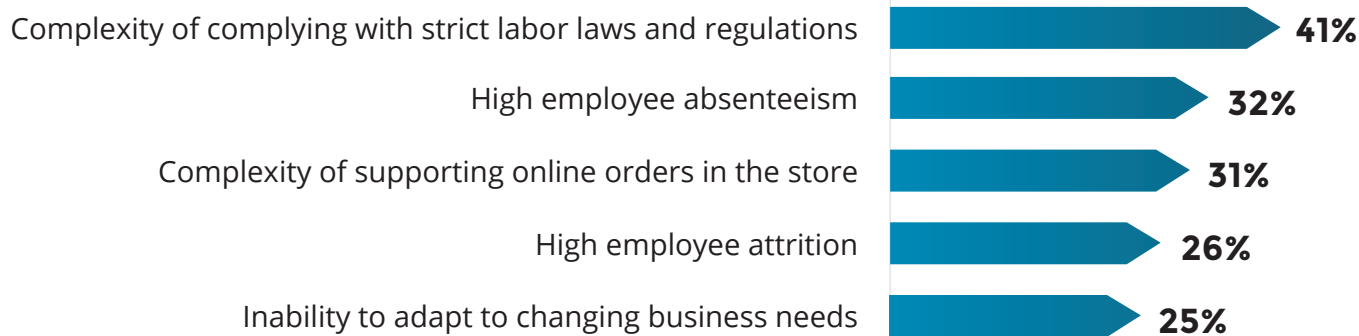
IT Director, Large European Fashion and Footwear Retailer



THE CHANGING ROLE OF THE STORE WORKFORCE

Top challenges hindering store workforce performance

% saying (multiple responses allowed, up to three options)



Transforming the role of the store will depend on deliberate effort on the part of store operations executives and management with a focus on their employees. However, such a transformation can be fraught with business challenges. In recent years, retailers have added tasks for their store employees such as assisting with in-store pick-up of online orders, in-store management of digital orders or coupons, and resolving complexity due to unexpected errors in supply chain management. Such tasks are becoming more complex due to the intricacies involved in the order-fulfillment process.

At the same time, perennial challenges remain. For example, respondents in our study cited compliance with strict labor laws and regulations as a top concern. This was true across all the countries studied. These laws, designed to provide employees with due compensation, work hours and benefits, are constantly changing, making it hard for retailers to keep up. Four in ten retailers in our survey said this hinders the effective functioning of the store.

This is an area where greater access to technology in the store can help facilitate the maintenance, updating and delivery of labor laws and standards in digital formats. For example, this can be achieved via the use of mobile audits and real-time on-the-job digital training for the store workforce.

41%

of retailers say strict labor laws hinder the effective functioning of the store.



“Europe has a number of complexities related to labor laws. For instance, in ten countries, the documentation around different labor rules, laws for local stores, job titles, days of the week is 254 pages long. It is quite complicated.”

Senior Director (International), Large Fashion, Accessories and Bags Retailer









A gap between vision and reality

As the primary role of the store changes, we believe retailers will need to address both the longstanding challenges like workforce attrition and labor laws as well as new issues that come with online fulfillment and creating more experiential formats. Getting the workforce ready will be essential. However, based on our survey, retailers expect the workforce of these very different stores to work much the same as they do today. This suggests retailers are slow in addressing, and maybe even realizing, the changing role of the store workforce.

Time spent on store activities

% saying

Activities	Current	Next 2-3 years
 Administrative tasks	23%	23%
 Customer-facing activities	21%	21%
 Back-office activities	15%	15%
 Marketing tasks	15%	14%
 Online order support	14%	14%
 Training tasks	12%	13%

The results provide a stark contrast between retailers' vision and their ability to realize it. For example, although 56% of respondents expect their stores to evolve into online fulfillment centers, they do not anticipate an increase in the time spent on online order support among their store workforce over the next few years. And given the expected move to theme-based stores, it's surprising that retailers don't plan to have store employees increase their emphasis on customer-facing activities. This seems to represent a significant gap and indicates a need to rethink what the right store activities are and how they will need to be allocated in order to ensure that the workforce is ready to support the new formats. Retailers may also be focusing on more traditional challenges impacting the workforce that are taking precedence over the need to evolve the role of the store employee.

"In terms of disruptive trends, we do a lot of buy online, pick-up from store."

IT Director, Large European Fashion and Footwear Retailer



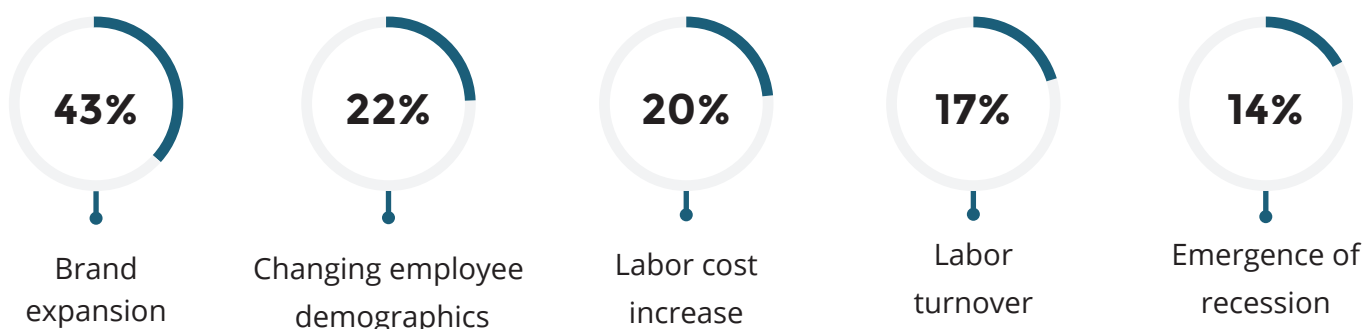
Brand expansion drives workforce changes

The shifting role of the store is not the only factor driving the need for changes in the workforce. Brand expansion is another key reason to address store workforce activities (cited by 43% of respondents). Brand expansion can mean new products, categories, geographies, operational changes and new customer service concepts that impact workforce activities.

Brand expansion demands that the workforce be knowledgeable about the new products or categories in order to address customer queries. This requires upgrading skills of the present workforce, bringing in new associates who are already trained or a combination of both.

Factors influencing changes in workforce activities

% saying (multiple responses allowed, up to two options)



Will millennials make a difference?

An additional factor is changing demographics, with the workforce talent pool shifting to include, in particular, a growing number of millennials, many of whom will demand greater flexibility and engagement in their work. But it's not just millennials. Increasingly, research shows that most workers are interested in the same things: flexibility, meaningful work and engagement¹. This needs to be a key consideration when a retailer is defining new business objectives, including new stores, products or formats.

Today's new workforce pool is mostly young and may explore various jobs. They are more skilled in terms of using the latest technology and demand a good wage. Retailers will need to balance a situation where two or three generations are working together, with the younger employees asking for a better paycheck for the same or similar work. This will require rethinking workforce activities.

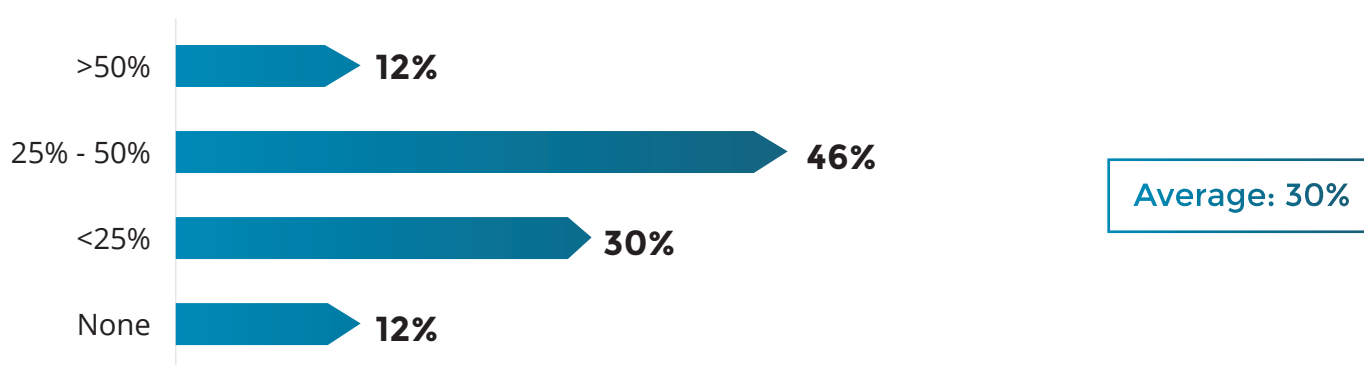
¹ "What Do Millennials Really Want at Work? The Same Things the Rest of Us Do," Bruce N. Pfau, Harvard Business Review, April 7, 2016

Temporary workforce will impact labor models

The changing talent pool is bound to have an impact on labor hours and labor regulations. Over the next two to three years, retailers in our study expect that, on average, 30% of their staff will come from temporary workforce sources such as contractors and seasonal workers. This is up from the present level of approximately 20% to 22%². The force behind this shift is mainly the increasing levels of seasonality in the business.

Percentage of store workforce coming from temporary sources

% saying



Retailers will need to address this change with new technology tools and agile online/digital training methods to impart the requisite store execution skills and product knowledge. The process, though cost intensive, needs to move quickly as delays in on-boarding or training of associates can translate into lost sales and unhappy customers.

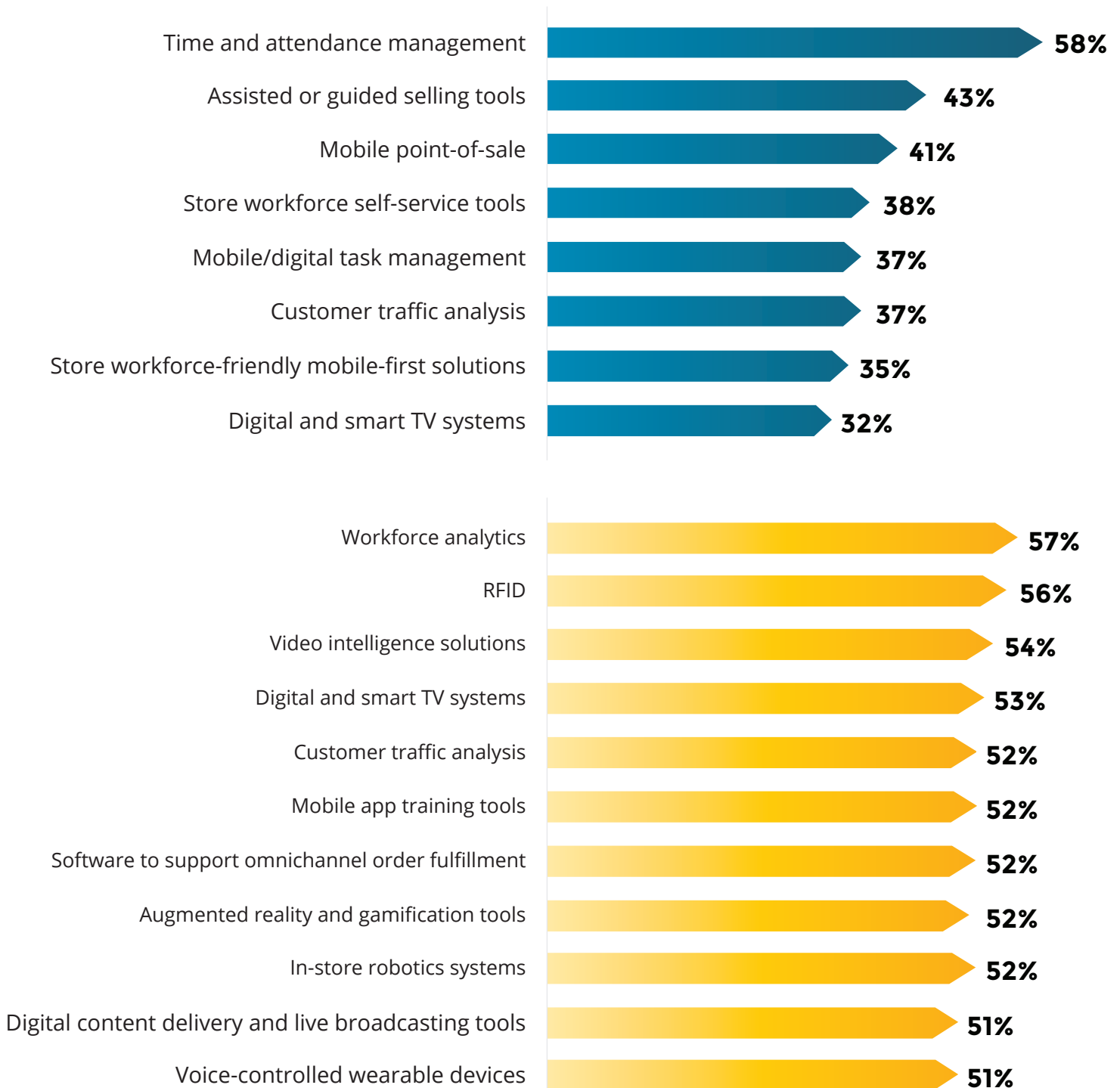
² "40% of America's workforce will be freelancers by 2020," Jeremy Neuner, Quartz Media, March 20, 2013

ARE STORES TECH-READY TO EMPOWER THE WORKFORCE?

Key store technologies used by retailers

% saying

Currently use Will use in next 1-2 years



As the role of the store shifts, technology will be instrumental in enabling the workforce to provide the right customer experience. With the growing use of innovative store technologies such as mobile apps, digital media, wearable devices, artificial intelligence, internet of things (IoT) and robotics, retailers need to invest in and increase their level of preparedness in embracing these advances at the store level. At present, many retailers use technologies such as assisted selling/self-service tools, mobile point-of-sale, and time and attendance management. However, over the next few years, they expect to turn to additional technologies like workforce analytics, augmented reality and in-store robotics.

Many of these new technologies – including bots, automated processes and machine learning – provide the opportunity to augment employees' capabilities. This can be particularly valuable in an industry like retail where attrition and dependence on temporary workers is high.

But to address their technology needs, retailers will need to overcome several barriers. More than a third of respondents cite competing investments in customer experience and digital channels as factors in inhibiting their investment in store technologies. Additional barriers include high store change management and training needs, as well as the lack of a defined store technology roadmap and lack of an executive mandate for store improvements.

Over the next one to two years, **52%** of retailers plan to use augmented reality and robotics in their stores.



“To enhance store operations, we introduced an upgraded Wi-Fi network and tablets. We have the same POS across all stores, which is localized to suit store environments.”

IT Director, Large European Fashion and Footwear Retailer



THE VALUE OF AN ENGAGED AND EMPOWERED WORKFORCE

Enabling the workforce will take more than technology. To succeed with the more experiential store concepts anticipated in the future as well as the changing talent pool, retailers must focus on a number of key workforce issues, including:

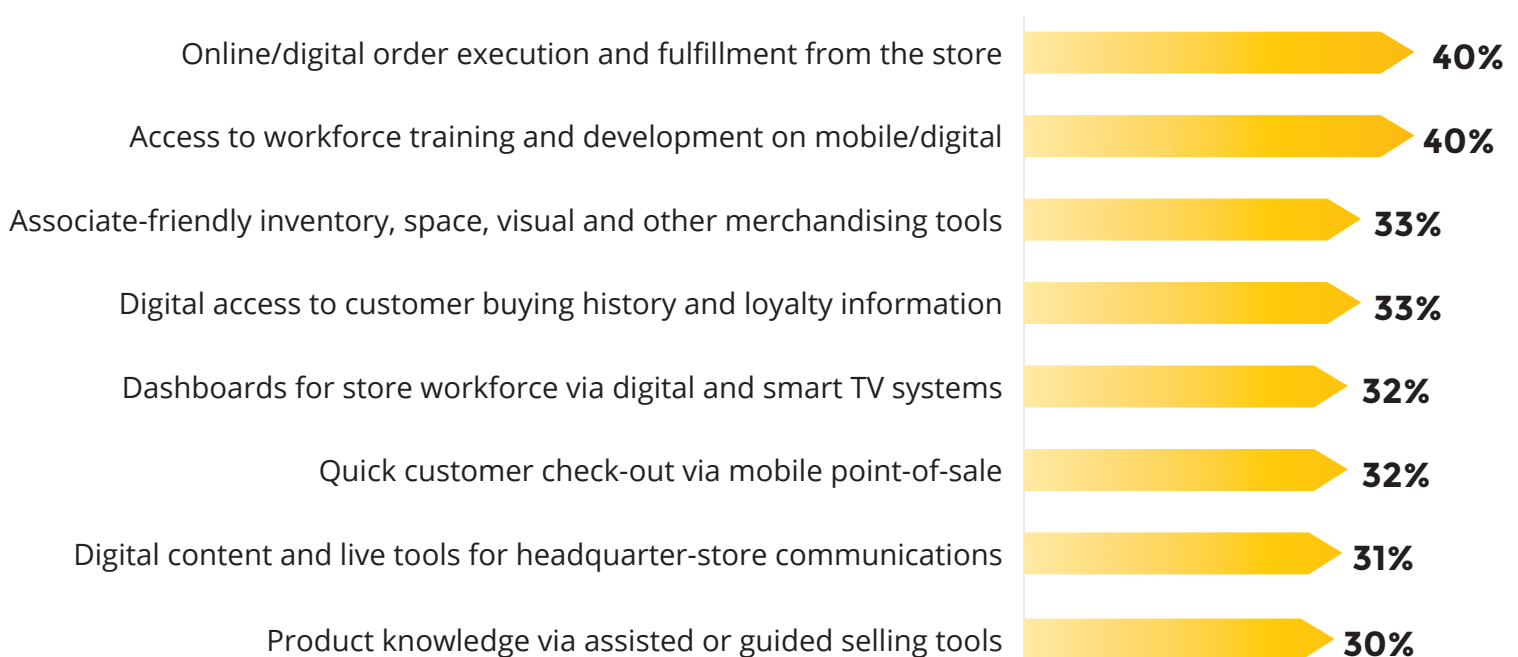
- Increasing employee engagement through better communications
- Increasing employee satisfaction with more flexible scheduling options
- Improving employee product knowledge through better training and easy access to relevant information

“One of the most important retail aspects is our workforce enablement. As a brand, we are selling an emotional product. We need to hire the right people and train them appropriately and continuously. Re-training is critical.”

Senior Director (International), Large Fashion, Accessories and Bags Retailer

Store capabilities that will have the greatest impact on workforce productivity and performance

% saying (multiple responses allowed)



New formats will require new capabilities






To effectively address these issues, retailers will need to implement new digital workforce capabilities to ensure that store employees are empowered with the right set of up-to-date, automated and digital sales, service and operational tools. This includes capabilities that can help the workforce augment their productivity, such as store workforce training on mobile devices and using wearable devices for real-time store task messaging. In our study, 40% of retailers said store employees should be trained on mobile devices to enable them to take on additional responsibilities. In addition, executing online ordering and in-store pickup requires training to build up the capabilities to deliver the desired outcome for customers.

Another key capability for the store workforce is easy access to customer buying history and loyalty information. Such information gives an associate the benefit of prior knowledge of the customer and his or her buying preferences. However, training can be time-consuming and not every retailer may want to disclose customer information to store associates.

Other capabilities that can improve workforce performance and productivity are quick customer check-out via mobile point-of-sale, live tools for store-headquarter collaboration, guided selling tools, and dashboards for the store workforce via digital or smart TV systems. While these tools and capabilities may have a positive impact, retailers need to carefully assess the need and gauge the expertise of the current workforce before making investments.

Anticipated improvement in metrics YoY from having a more prepared, engaged and empowered store workforce

% saying

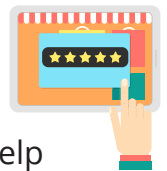
Metrics	Average % improvement
 Consumer satisfaction	28.7%
 Stock availability	26.2%
 Online sales	25.4%
 In-store sales	25.3%
 Store operating margins	21.5%

Workforce investments can pay off

Retailers believe that investing in these digital workplace capabilities can pay off. Respondents in our survey noted that a more prepared, empowered and engaged workforce could help drive improvements in a number of key metrics. For example, they indicated that automated capabilities that empower the workforce could increase consumer satisfaction by about 29%. In addition, respondents expected that stock availability could also improve, by as much as 26%. This stems from the workforce being able to digitally access and update items that are on-hand and sold, and the rate of replenishment being easily deduced from the records as they are updated digitally in real time within a cloud-based inventory management system. This can reduce stock-outs and increase customer satisfaction.

Other metrics with the potential for improvement include online and in-store sales, and store operating margins. Empowered associates can boost sales through deeper customer interaction by using in-store guided selling tools that are accessible on POS tablets and other mobile devices for looking up customer sales history, product information and loyalty data. Retailers can also activate digital concierge assistance services using apps right on the associate's mobile device, resulting in increased personalization, sales engagement, conversion, up-selling and cross-selling.

Automated capabilities that empower the workforce could help increase consumer satisfaction by **29%**.



CONCLUSION: IMMINENT CHANGES AND STORE PREPAREDNESS

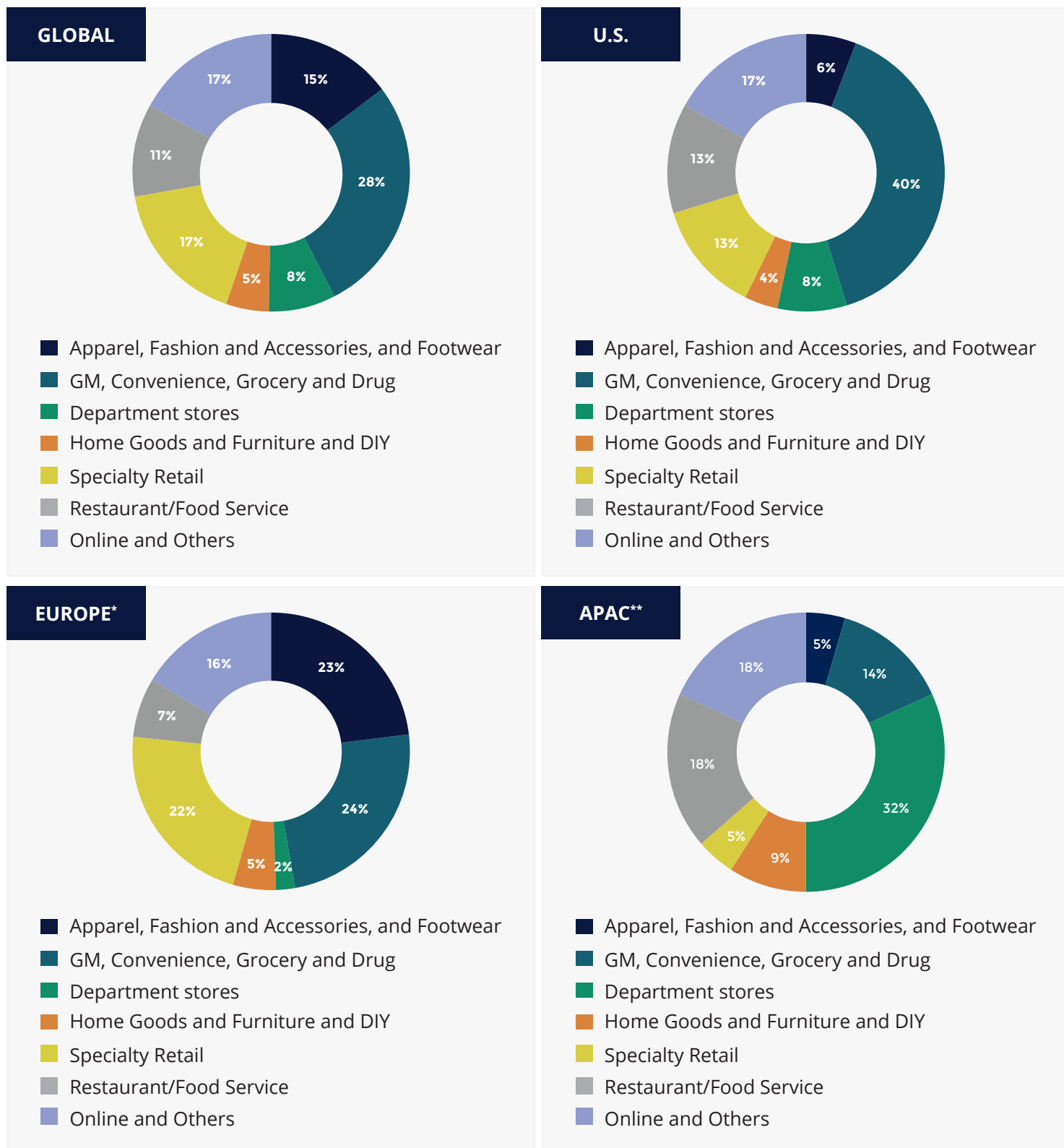
To address the evolving role of stores, the workforce will need to change to better align with new operational realities and frictionless customer experience needs. This will mean providing a true digital workplace to increase employee engagement and knowledge. Retailers will also need to address the fact that a growing portion of their workforce will be temporary. They will need to put in place policies, technologies and programs that provide agile workforce training to maximize performance.

The rate at which retailers transform their stores and workforce is a function of factors such as business objectives, costs, strategic planning, digital technology investments and, above all, effective implementation. Stores need to speed up their adoption of employee activities and tools that will drive sales and a more streamlined shopping experience. To close the gap between their 2020 vision and their ability to realize it, retailers must adopt digital automation in terms of not just smartphones, but also smart merchandise, wearable devices and POS tablets, and rethink and reallocate how employees spend their time in the stores.

DEMOGRAPHICS

For this research, EKN surveyed 161 retailers across the U.S., Europe and Asia Pacific. Below is a snapshot of the demographics of the respondent base.

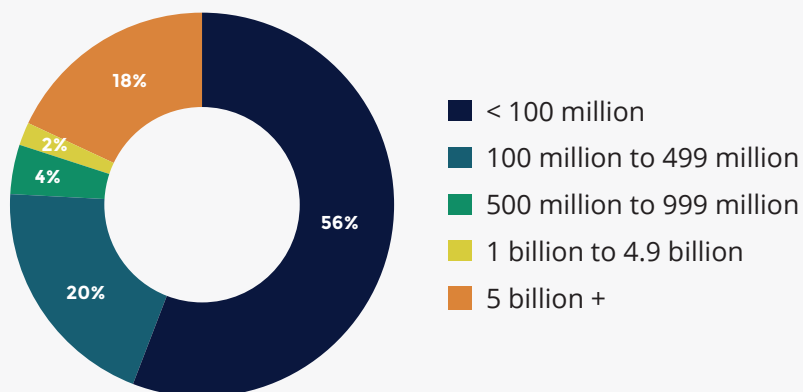
Distribution by primary retail format



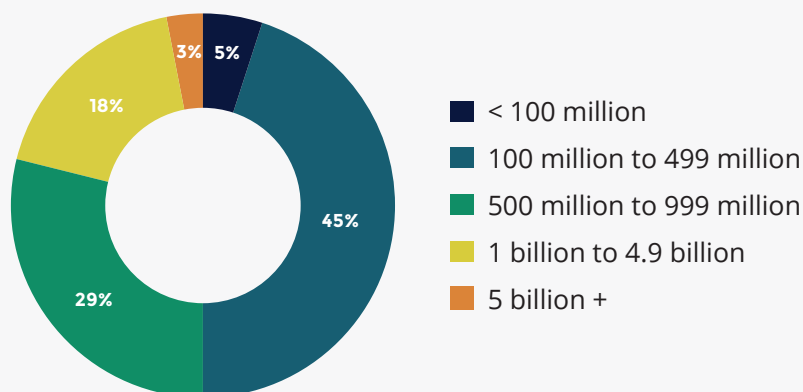
Note: APAC represents 22 retailers. As per EKN practice, any geo-region analysis cannot be reported if the sample size is fewer than 30.
 * Europe includes UK, France, Spain and Italy. ** APAC includes Japan and Australia.

Distribution by annual revenue (by currency)

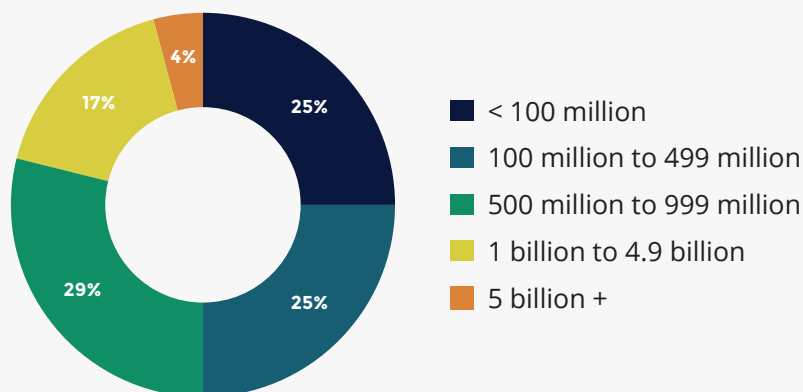
U.S. \$



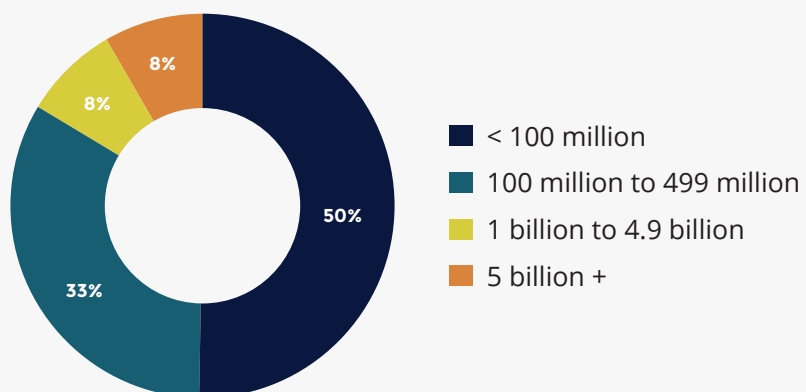
EURO €



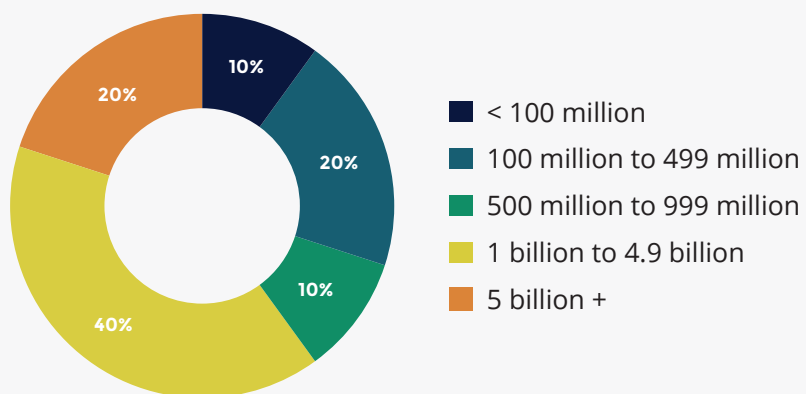
UK £



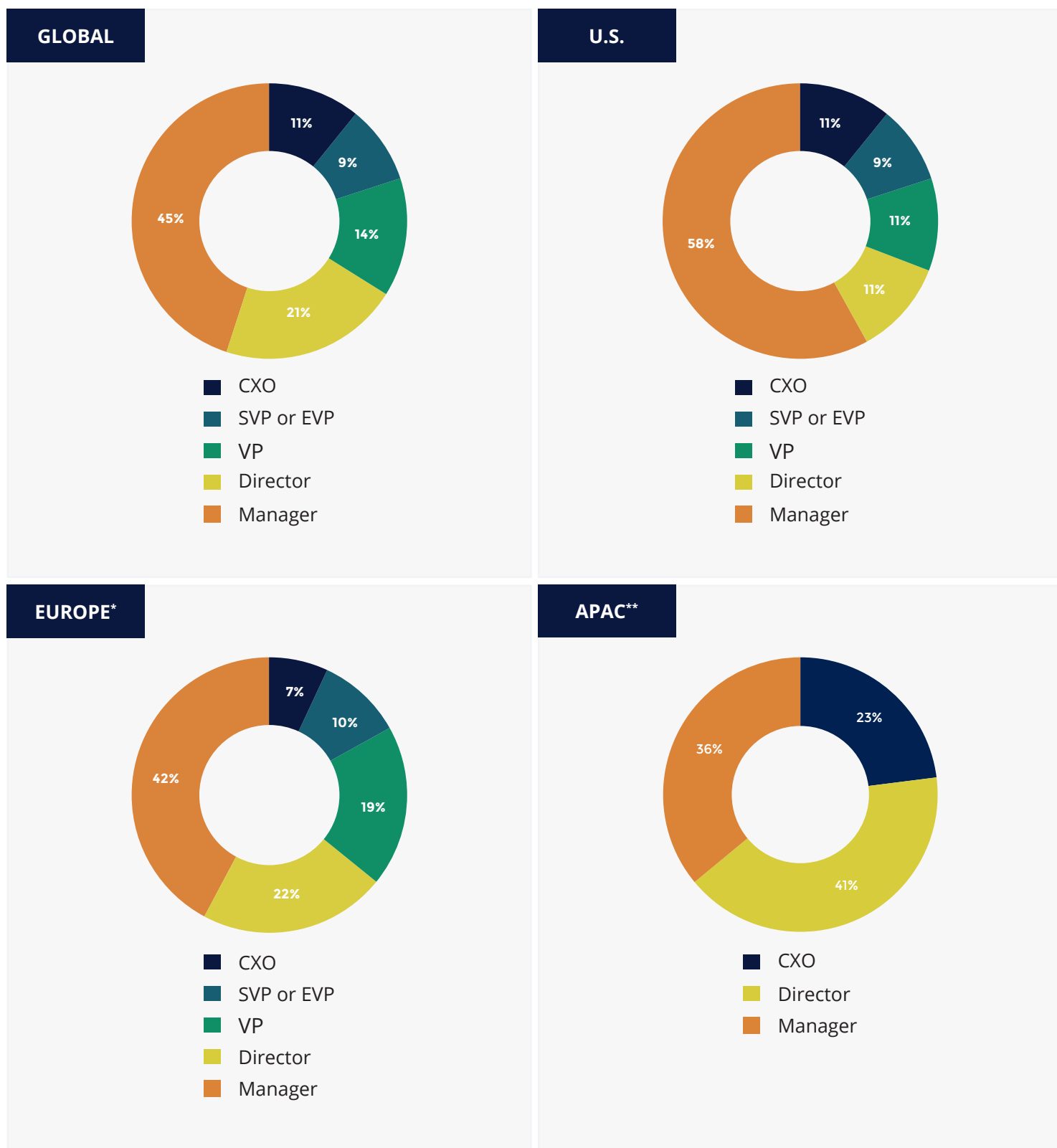
JAPAN ¥



AU\$

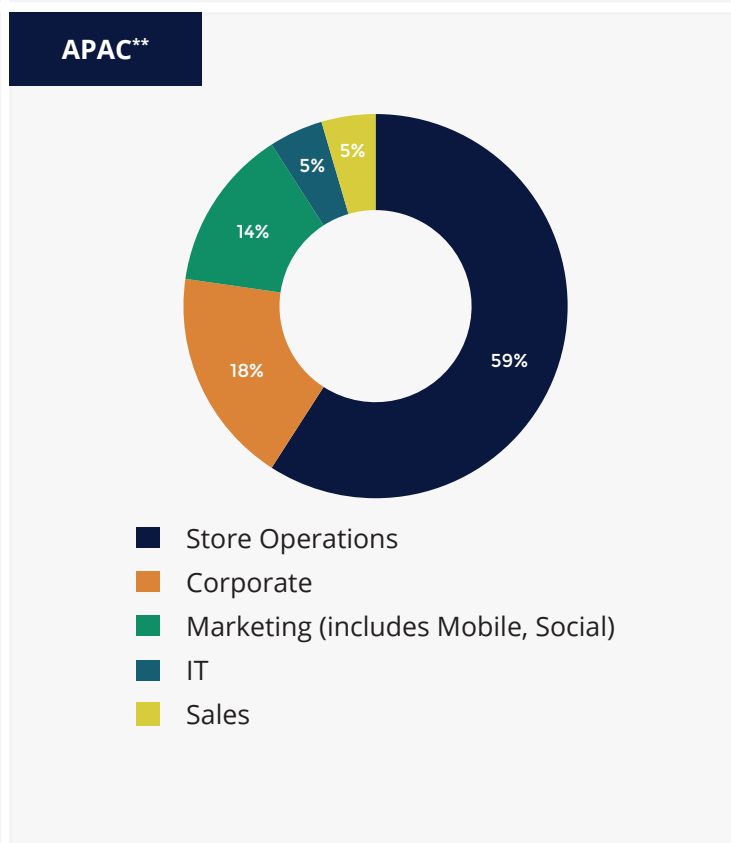
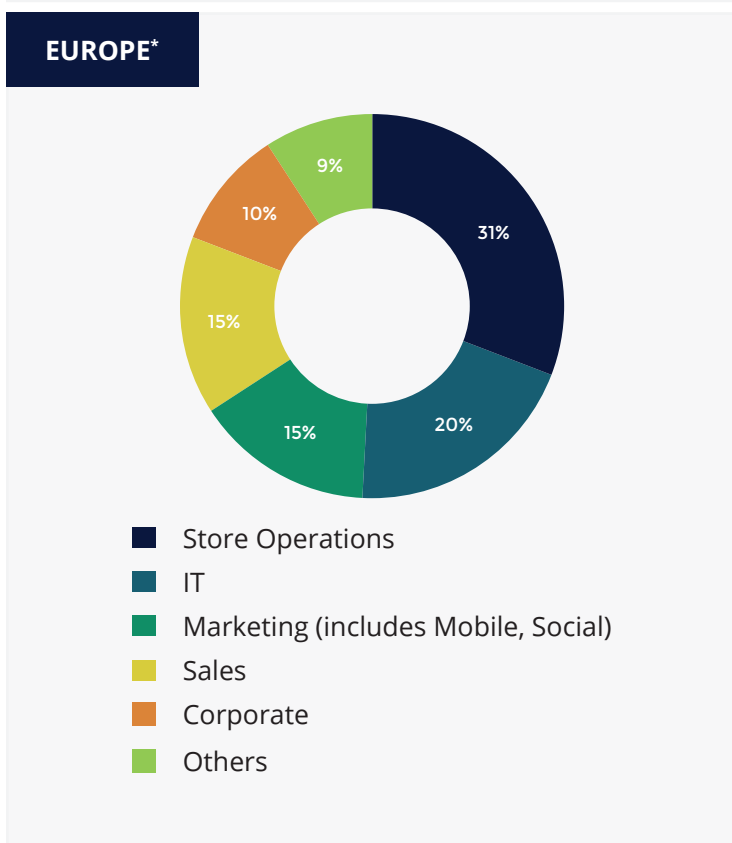
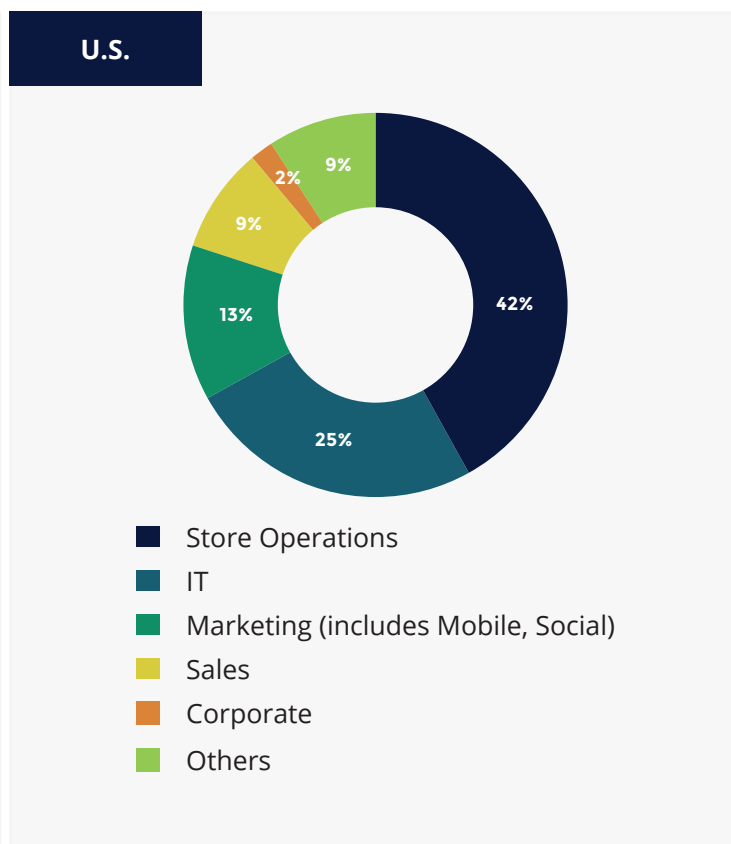
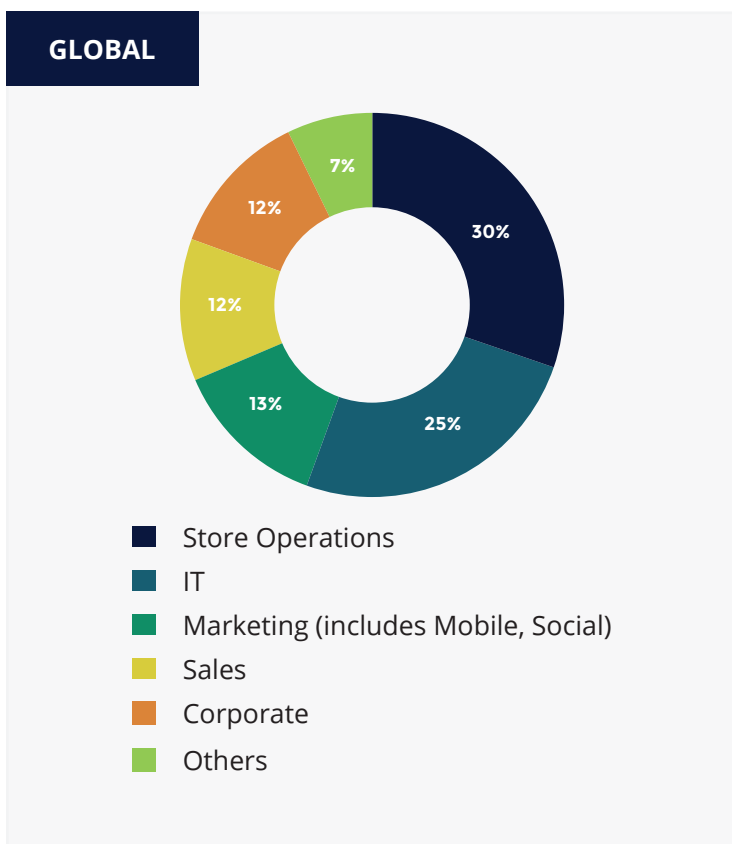


Distribution by job role



Note: APAC represents 22 retailers. As per EKN practice, any geo-region analysis cannot be reported if the sample size is fewer than 30.
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Distribution by business function



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 * Europe includes UK, France, Spain and Italy. ** APAC includes Japan and Australia.

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