

Wanted: New Leaders for Retail Differentiation

Three new CXO positions are helping retailers stand out from their competitors



In recent years, retailers have been changing their organizational structures to better respond to today's demanding, digitally-empowered consumers. Three new CXO positions are becoming part of various retailers' change management processes. These individuals are helping create the business agility required to stay ahead of the competition.

- The need to keep up with fast-paced changes in the digital world is causing some retailers to consider a Chief Digital Officer.
- Retailers reinventing themselves around a relentless focus on the customer are tasking a Chief Customer Officer (CCO) with the required redesign and reorganization.
- A recognition that transformation in the face of ongoing disruption is now the norm has the Chief Omnichannel Officer (COCO) busy maintaining a relevant brand relationship with consumers.

But which is right for a particular retailer? Are they mutually exclusive? Does the organization need them all? Or are they all a leadership fad? Based on Deloitte's work with major retailers and our knowledge of the marketplace, we researched the various options, exploring the scope, definition and reasoning for the various roles. Our findings? There is no one, simple answer.

A few fundamentals, however, do hold true:

1) whatever the title, the needed skills for the job will be the same: transform the business in a way that addresses the expectations of consumers, 2) the right leader will motivate the organization's culture and tear down functional silos, and 3) the degree and pace of change requires that the organization give strategic priority to these initiatives.

What is the first step? Understand the options.

A Leader for Differentiation

Retailers — constrained by slowing growth, shifting competition, and changing customer expectations — are increasingly battling for market share. In this difficult operating environment, an understanding of a retailer's core customer, and the shopping experience she's looking for, are important first steps when deciding on how best to differentiate.

For some retailers, the differentiation strategy is a bet on digital — leveraging mobile, e-commerce, social, and other technologies to accelerate growth with their tech-savvy consumers. For others, it means countering online low-price competition by differentiating through a superior customer experience. Still others are focusing more on the operational integration of their stores, catalogs, and online businesses: bringing together merchandising, marketing, IT, supply chain, and other functions in an attempt to be truly customer centric.

In recent years, some C-suites have questioned the traditional executive roles (e.g., CIO, Chief Marketing Officer, Chief Merchant). Instead, they are seeking out new leaders — with the right authority, influence, and priorities — to introduce new initiatives. Many retailers are finding that implementing these strategies requires significant changes to their operating models. All require cross-functional collaboration and governance, improved and different working relationships between various departments and IT, and strong executive alignment.

Three Needs, Three Roles

As companies add new members to their C-suite — Chief Digital Officer, CCO, COCO — each of these roles will face specific challenges associated with the transformation of the consumer’s interaction with the retail brand.

We see some retailers aggregating and expanding new digital capabilities under a Chief Digital Officer. Others, through their CCO, are renewing their focus on the customer’s experience and responding to all the ways the brand touches the consumer. Still others are recognizing that a COCO can integrate the new capabilities and technologies needed to deliver a seamless shopping experience across multiple channels. And just like the strategies, the roles are not mutually exclusive, though most retail organizations tend to focus on one.

Chief Digital Officer

The Chief Digital Officer (CDO) is perhaps the most well-known and documented in the press and by analysts. The CDO is tasked with leading the integration of digital into the business, thereby expanding the real-time engagement with consumers. This role tends to focus on the acceleration of digital touch points more so than the transformation of the operating model.

Retailers have looked to the CDO when they needed to expedite their mobile and overall digital presence, in some cases to make up ground against other players. The CDO also elevates the focus on digital outside of just IT. He or she integrates digital initiatives to run across silos and consolidates all things digital. At many companies, the CDO has profit and loss (P&L) responsibility for online, mobile, and social media initiatives.

Retailers are looking to the CDO to foster stronger working relationships between the relevant functions and IT by bringing more knowledge of operations to the position. There is recognition that the CDO skills are different than those of the traditional CIO. It is in fact, a business role, not a technology role. The oversight of digital technology, however, can occasionally create friction with the CIO, as the lines between what is digital and what is not are blurring rapidly.

Starbucks created the CDO role and tasked the position with Web, mobile, social media, card, loyalty, e-commerce, Wi-Fi, and the Starbucks Digital Network, as well as newer initiatives such as in-store digital and entertainment.¹ CVS Caremark hired its CDO to drive “company-wide digital innovation efforts,” while also focusing on “connecting current and future digital initiatives.”

Retailer Scenarios	Chief Digital Officer	Chief Customer Officer	Chief Omnichannel Officer
We need to...	Expedite digital capabilities to stay relevant	Change the value proposition and become more customer centric	Integrate channels and transform the business
We have these challenges...	The CDO is responsible for driving growth through digital but does not control all of the levers (e.g., marketing)	The CCO needs to aggregate customer touch points without ownership of all functions	The COCO does not own the strategy and has to reengineer the business for the future
We will likely hire ...	External to the organization	External to the organization	Internal to the organization

1 Starbucks. Press release. <http://news.starbucks.com/news/starbucks-appoints-new-chief-digital-and-information-officers>. March 9, 2012

2 CVS Caremark. Press release. <http://www.cvshealth.com/newsroom/press-releases/cvs-caremark-appoints-new-chief-digital-officer-lead-digital-innovation-team>.

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Chief Customer Officer

For retailers betting on an integrated, next generation customer experience to win the fight for market share, a CCO provides an executive who can help reinvent the value proposition. The position will also likely have the seniority to exert control over the other executives involved with its implementation.

Where the CDO position has its roots in digital, the CCO in many instances has grown out of the operating and marketing challenges created with attempting to meet the demands of today's sophisticated consumers. As these consumers expect — and the competition provides — a more compelling shopping experience, the CCO is tasked with providing a responsive, integrated, fresh shopping experience. Operationally, the role involves acquiring new customers, retaining customers by creating a more compelling customer experience, and increasing customer profitability, often through analytics and loyalty programs. The CCO may own budgets and responsibility for stores, online, marketing, and support.

Redefining the customer value proposition means major reorganizations around the customer to drive growth in constrained markets and keep competitors at bay. By reorganizing around a relentless focus on designing a unique shopping experience, CCOs are driving consistency across the “anytime, anywhere, anything” interaction expectations. With the power to restructure as needed, the CCO can more quickly respond to rapidly changing customer expectations by aligning internal processes and organizations to evolving market needs. A major realignment under the CCO may bring marketing, operations, merchandise, and customer service under one leader. Retailers in low- or no-growth sectors may find the CCO particularly helpful in capturing share.

In June 2013, Kohl's created a new CCO role reporting to the CEO, and assigned the position with responsibility for marketing and e-commerce³ as well as to “move our consumer engagement in new directions.”⁴

Lowe's established its CCO position in 2012. The new CCO was given responsibility for “creating experiences that will best serve customers and differentiate Lowe's from its competitors,” including customer experience design, merchandising, marketing and communications, digital interfaces, and pricing and promotion. They created a Chief Operating Officer position at the same time, tasked with delivering the customer experience (store operations, sales and service fulfillment, product fulfillment, etc.).⁵ At Lowe's, the Chief Merchandising Officer (responsible for the merchandise offering for stores and .com, as well as global sourcing) reports to its CCO and is expected to “work closely with the leaders

of customer experience design, marketing, operations and logistics to develop and deliver differentiating, seamless customer experiences.”⁶

Chief Omnichannel Officer

Retailers who want to respond to the changing expectations of consumers are looking for one leader who can harness and organize all of the many channels, technologies, executives, and capabilities to drive omnichannel transformation, propel the needed changes into the business, and increase business agility in the face of continued disruption.

The COCO provides a single senior leader who is responsible for integrating channels – driving the seamless integration of mobile, store, and online operations. This helps provide a unified brand experience for the consumer. Generally, this executive does not have operational P&L responsibility or a vested interest in one particular channel. Instead, the focus is on driving operational changes, expanding customer analytics, implementing cross-channel systems and processes, and deemphasizing departmental silos while increasing collaboration within the organization. The role can be transitory — once the transformation is complete the role may change or disappear, reverting back to an operational role.

The addition of a COCO to the C-suite can also be a recognition that “digital” or “customer” do not fit neatly in one bucket and that true transformation occurs when each function in the organization works together to create more business agility. Success in the position can also be measured by the retailer continuing to capture wallet share even after one wave of disruption passes and a new one begins. In addition, this organizational change can be a recognition by the retailer that culturally it is not ready for the realignment or changes in control that a CDO or CCO might bring. Instead, it is looking for a leader who works within (or over) existing structures.

Macy's is one retailer who has tasked its COCO with transforming the business. In early 2013 the retailer created the new position of COCO (reporting to the CEO) to oversee the integration of store, online, and mobile operations, including providing a consistent shopping experience, and common view of inventory. While this executive oversees how multiple channels work together and the technology that supports the processes, he is not responsible for each channel's P&L.⁷

3 Wohl, Jessica. “Kohl's Names Starbucks' Gass Chief Customer Officer.” Reuters.com. May 22, 2013 <http://www.reuters.com/article/2013/05/22/us-kohls-gass-idUSBRE940IH20130522>

4 Business Wire. “Kohl's Department Stores Announces Michelle Gass as Chief Customer Officer.” May 22, 2013. <http://www.businesswire.com/news/home/20130522005331/en/Kohl%E2%80%99s-Department-Stores-Announces-Michelle-Gass-Chief#vDrVWABbyiNM>

5 Lowe's. Press release. <http://media.lowes.com/pr/2012/04/19/lowes-announces-executive-promotions/> April. 19, 2012

6 Lowe's. Press release. <http://media.lowes.com/pr/2013/01/24/lowes-announces-new-chief-merchandising-officer-and-new-supply-chain-executive/> Jan. 24, 2013.

7 Demery, Paul. “Macy's names a chief omnichannel executive.” Internet Retailer. Jan. 29, 2013. <http://www.internetretailer.com/2013/01/29/macys-names-chief-omnichannel-executive>

Which Leadership Choice Works Best?

As with most major organizational changes, there is no one right answer for transforming the C-suite. It depends on a retailer's particular needs and the choices that work best for its customers.

The right answer is largely driven by having the right strategy. Each retailer should take a hard look at its situation. Different retailers are under different degrees of pressure for growth and differentiation. Those tensions may come from different areas within the organization that will drive the strategy toward a digital, customer, or omnichannel transformation. The positions are not the same. They are created for specific reasons tied to the strategy and the internal hurdles for execution.

The emergence of all of these roles is largely driven by the need to drive significant change across the organization and to give a key executive the power, authority, and incentive to make that change happen as quickly as possible. And because all of these roles are fundamentally about driving changes that will eventually become the status quo — the new face of retail — it is possible that none of these roles will be required 10 or even five years from now.

If a CIO, Chief Marketing Officer, or store and online executives are already at the same table with the CEO on the business strategy, if they are already collaborative and aligned, a retailer may not need any of these positions. However, for many retailers, assigning an executive helps the organization focus on the transformation at hand and accelerate it.

To help make the right choice, a retailer should focus on how it will choose to differentiate itself in the short and long term. It should clarify what its "signature processes" are — the processes that most differentiate the organization and yield the most non-price value in the eyes of the customer. Companies should not blindly follow the competition because practically every retailer is working on their version of "anytime, anywhere, anything."

Additional considerations include:

Reporting relationships do not replace working relationships. Just because one executive has been assigned a focused responsibility does not leave other executives or employees less liable for initiating change. Working relationships and collaboration are more important to the process than just spans of control.

Focus on finding the leader that will most motivate and align the company's culture, people, functions and executive team. To drive transformation, the leader must have the authority and support to influence the organization, work across functional lines, and resolve the inevitable conflicts. The firm's culture may be more or less inspired by the promise of new technology, integrated experiences, or a renewed focus on the customer.

Use both internal and external hiring pools.

Depending on the retailer's business needs, the right leader may be inside or outside of the organization. The CCO should be a fresh face to the organization: someone who would not accept the status quo. Like the CCO, the CDO should also come from outside of the organization because new talent can often drive faster change. However, a COCO typically is a highly tenured individual within the organization who understands how to get things done by leveraging the relationships built over time. A COCO needs to have the political power and influence to drive deep organization change.

Establish metrics to know when the job is done and when it is time to change again. As a retailer embeds digital, customer focus, and/or omnichannel in its business, it should make sure that progress is clearly visible. If adjustments are required, it may be necessary to make leadership changes again. Retail differentiation is often an ongoing, iterative process.

Establish core capabilities that will last. Regardless of the title, the goal will be to leverage the new capabilities that meet evolving customer demands and then embed those proficiencies in the business. Based on an understanding of a retailer's signature processes and its core customer, it can build the competencies needed for long-term success.

A Role for All Three

In the end, the right leader may look the same, regardless of title. The executive will have:

- A mix of both technical and business expertise, a mix of both old and new perspectives.
- A view of the business that crosses all channels and functions.
- An analytics-driven understanding of their customer.
- The ability to align and influence leaders and the organization.
- An eye on the end goal: growth, including global.
- The ability to drive large-scale organizational change.

And, the job will be the same:

- Implementing and integrating the digital and the traditional, the analytical and the art of retailing.
- Anticipating where customers will want to be — and meeting them there.
- Melding the customer experience with the brand so that it is consistent, cohesive, differentiated, and delivers high levels of non-price value.
- Driving the changes across functional boundaries and creating capabilities that allow the retailer to more quickly react to customer needs.

And ultimately, the title will matter less than the growth the organization can create.

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