

Retail Execution: The New Differentiator



The No. 1 Differentiator

It is no secret that execution is important—and difficult. Even the best laid plan will fail if improperly executed. Although the challenge of effective execution transcends industries, the retail industry is a particularly challenging environment in which to execute effectively. Often, retailers' past habits and structure pose some of the greatest barriers.

"I'd rather have a first-rate execution and second-rate strategy any time than a brilliant idea and mediocre management."

— Jamie Dimon, CEO, JPMorgan Chase

Execution in retail has never been easy. It is difficult to achieve consistency across thousands of stores, not to mention train, retain, and motivate thousands of hourly associates of varying ages with different levels of skill. Moreover, recent economic and technological disruptions are making it especially challenging for retailers to execute on their strategic objectives.

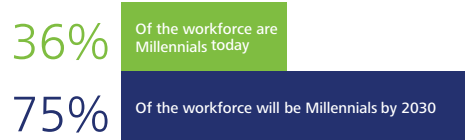
Economic turmoil is resulting in declining consumer demand, while Millennial shoppers exhibit new price- and value-conscious behaviors. These shifts in market dynamics and consumer behavior are compounded by rapidly changing workforce demographics and a widening talent gap. With Millennials representing a growing proportion of the US workforce, retailers will need to adjust their strategies to attract and retain associates with the skills necessary to communicate their brand message (see Exhibit 1). In addition, retailers are unaccustomed to working with a generation that demands constant feedback and coaching from management and seeks a greater purpose and meaning in its career than previous generations.

Insufficient talent management, inadequate performance metrics and organizational misalignment are among the most common execution pitfalls encountered by retailers. Attracting and retaining top talent and training staff to maintain a consistent level of service is difficult in a geographically dispersed retail chain. Not only that, but measuring progress against execution goals can be challenging without metrics that are aligned to the new retail reality. Sales are now distributed across multiple

interdependent channels, and measuring the relative success of each channel is difficult. Once retailers can adjust and make changes to its organizational structure or customer-facing strategies, it is often too late as the world has already changed.

All of this is happening as digital commerce and the “Internet of Things” are increasing consumer expectations and changing how they shop. Given this environment, it is not surprising that many retail strategies remain just that—strategies, which often fail to produce their intended results. Ninety percent of organizations fail to effectively execute their strategies and realize the full benefits of their efforts¹ and, in an increasingly complex retail environment with intense competition and limited resources, execution has become the No.1 differentiator.

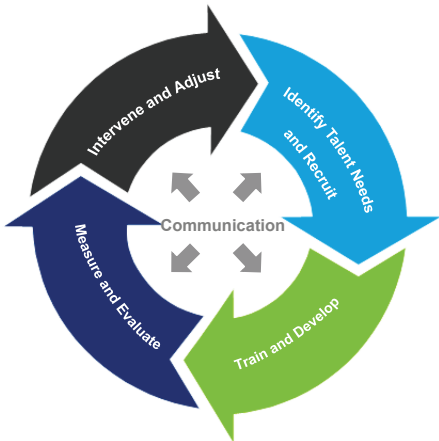
Exhibit 1: Millennials are changing the workforce²



Keys to Execution Success

Successful execution of strategies and programs is an iterative and rigorous process. Identifying the necessary skills and recruiting the right talent, training and developing associates, measuring and evaluating the efficacy of programs and intervening and adjusting when needed are all critical steps for a successful implementation. Retailers should consider a four-step iterative execution process—not just for some, but for all implementations—and they must apply rigor in every step of the way (see Exhibit 2). Clear and open communication to support and empower associates at every stage of the process is paramount to its success.

Exhibit 2: Iterative execution process

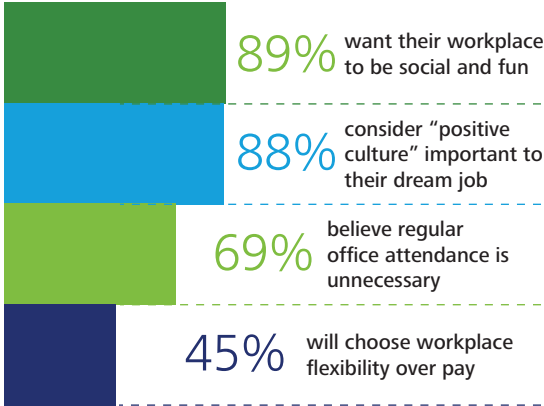


Step 1: Identify Talent Needs and Recruit

The first step a retailer should undertake before they execute on a strategy is to inventory the skills of their current associates and determine if they match the skills required for effective execution on that strategy. This search for talent, both internal and external to the organization, is critical. Retailers must recognize that the new reality will require developing new skills and getting the right people in the right roles. In an omnichannel world, retailers need a workforce that can deliver a customer experience that is more than transactional. They will want associates that are adept at crafting and navigating the digital innovations that are necessary to compete. As a result, retailers are now competing for top talent with tech companies in Silicon Valley as much as traditional industry competitors, and they must identify new approaches to attracting and maintaining talent.

For prospective talent, the differentiator in choosing where to work often depends on a company’s culture, work environment, community impact, and opportunities for advancement and professional development. In recruiting a new and demographically different workforce, managers must create opportunities that tap into Millennials’ need for purpose and positive impact and be able to effectively communicate to multiple generations (see Exhibit 3).

Exhibit 3: Millennials exhibit new behaviors from their predecessors³



Step 2: Train and Develop

After talent is identified, retailers must develop a culture of learning and define training programs that cater to this new generation of associates. Millennials want to do impactful work and be challenged; they seek out continuous feedback and coaching from their managers and have limited appreciation for administrative processes (i.e., annual performance reviews). This requires managers to increase communication with store associates, through both formal and informal channels.

Since customers can now buy products anywhere, the store's point of differentiation is an excellent customer experience and a knowledgeable sales associate. In fact, knowledgeable sales associates are by far the most important factor that can help increase the likelihood of an in-store purchase⁴. However, as the store's role evolves to that of a hub for customers to experience the brand, store associates are responsible for creating more than a sales-driven transactional experience, and need to be trained and incentivized to be brand ambassadors. Retailers have an opportunity to develop targeted mentoring and training programs to improve their associates' soft skills, and to motivate them and give purpose by leveraging corporate social responsibility initiatives and providing them with greater autonomy and responsibility.

Step 3: Measure and Evaluate

Once retailers have identified talent and trained project staff, the next step in the execution process requires applying science to the implementation. Now more than ever, retailers must systematically measure the outcomes of every initiative and determine its efficacy. Metrics and key performance indicators (KPIs) must be adapted to reflect retailing in the digital age, with a focus on customer experience and quality. For example, sales per square foot and same store sales metrics make less sense in an omnichannel retail environment, where store footprints are shrinking and the store is now an environment for customers to experience the brand, rather than just a channel to transact. Often customer touch points in the store drive sales online and vice versa, and metrics need to take into account this digital influence.

A first step in identifying the right KPIs and metrics is to pilot the initiative in a subset of stores or geographies. In this way, a retailer can adjust before expanding the initiative to the full organization. Once the proper KPIs are developed, manager and store associate incentives must be aligned and effective internal communication channels established. Clear communication and transparency are critical in aligning thousands of store associates around new metrics and rewarding the right behaviors consistently.

CASE STUDY: ITERATIVE EXECUTION PROCESS IN ACTION

Implementing a Clienteling Tool at a Fashion Retailer:

In today's omnichannel retail environment, many retailers are turning to clienteling as a way to provide a unique and valuable in-store shopping experience.*

Step 1: Identify pilot stores where the clienteling tool will be tested. Communicate with the field to prepare pilot stores for the upcoming changes. Assess staffing needs and recruit as necessary.

Step 2: Train pilot store associates on how to use the new tool. Plan for on-the-job coaching to ensure the skill gap is closed and to drive adoption. Build the case for the new tool and establish an associate feedback process.

Step 3: Measure carefully selected KPIs in the pilot stores (e.g., sales lift across channels, in-store traffic) and evaluate them against a control group. Communicate the successes to the rest of the organization.

Step 4: If necessary, intervene and make adjustments to the clienteling tool and training and coaching approach; create a rollout plan for the entire chain consisting of multiple waves and prepare the field for the upcoming changes through frequent communications.

Steps 5–7: Recruit and train Wave 1 store associates on how to use the new tool. Measure adjusted KPIs from the pilot. If necessary, intervene and make adjustments to the clienteling tool and training and coaching approach.

Steps 8+: Repeat with Wave 2, etc.

*Fictitious example for illustrative purposes

Step 4: Intervene and Adjust

Finally, to execute efficiently, retailers must be willing and able to adapt based on internal and external forces and quickly adjust their implementation plans. They must not only be able to collect and interpret large data sets to determine the merit of new innovations and campaigns, but also be able to pivot quickly based on this new information, adjust and communicate the necessary changes to the workforce. Too often retailers recognize that changes need to be made, but by the time they align the organization, the world has changed and they must adjust again. Clear lines of communication and transparency of organizational goals are key to accomplish the quick adjustments necessary for efficient execution. It is critical that any updates are communicated effectively from the top of the organization down through its ranks to gain ownership and support throughout the business, especially in an environment where store managers are often preoccupied with day-to-day operations and firefighting.

Summary

The recipe for retail success is evolving. Surviving and coming out on top in an increasingly competitive industry will require not only a differentiated strategy, but also execution and performance. Successful execution is an iterative and rigorous process supported by clear and open communication. Retailers must continuously identify talent needs and recruit accordingly, train and develop their people, measure and evaluate the results of their initiatives and course correct when needed. By being aware of the changes mandated by the new retail landscape and addressing common pitfalls, retailers can position themselves for execution success.

¹ Deloitte research

² U.S. Bureau of Labor Statistics

³ Peoplefluent.com, badgeville.com

⁴ Deloitte's 2014 Annual Holiday Survey

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