Deloitte.

Retail talent
Disrupted

One of the key issues in an exponential world… is that whatever understanding you have today will become rapidly obsolete, and so you have to continue to refresh your education about the technologies and organizational capabilities.

—John Hagel, Co-Chair of Deloitte's Center for the Edge

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Introduction

The retail industry is facing unparalleled change.

Spurred by the digital revolution and the demands of an evolving consumer, new companies have entered the marketplace with innovative business models that threaten to make traditional retailers obsolete. Emerging retailers with "digital" in their DNA are challenging the ways many traditional companies acquire customers, compete in the marketplace, and configure their business.

Through an extensive study exploring the talent practices of a wide range of retailers, Deloitte has concluded that a bold new set of "rules" should be considered for retailers to attract, retain, and develop a workforce that can meet the needs of the evolving marketplace. To explore the disrupted retail talent dynamic, we examined retail businesses and their challenges across three dimensions:

Customer   **Competition**   **Operating model**

As our findings show, in each of the three dimensions examined, disruptive changes in the retail marketplace have created both new challenges and new opportunities for retailers, relative to their talent needs.

Customer

Customers are increasingly influenced by digital and less influenced by traditional retail methods.[1]

Customers are more discerning and demanding of detailed product knowledge when interacting with retail associates.
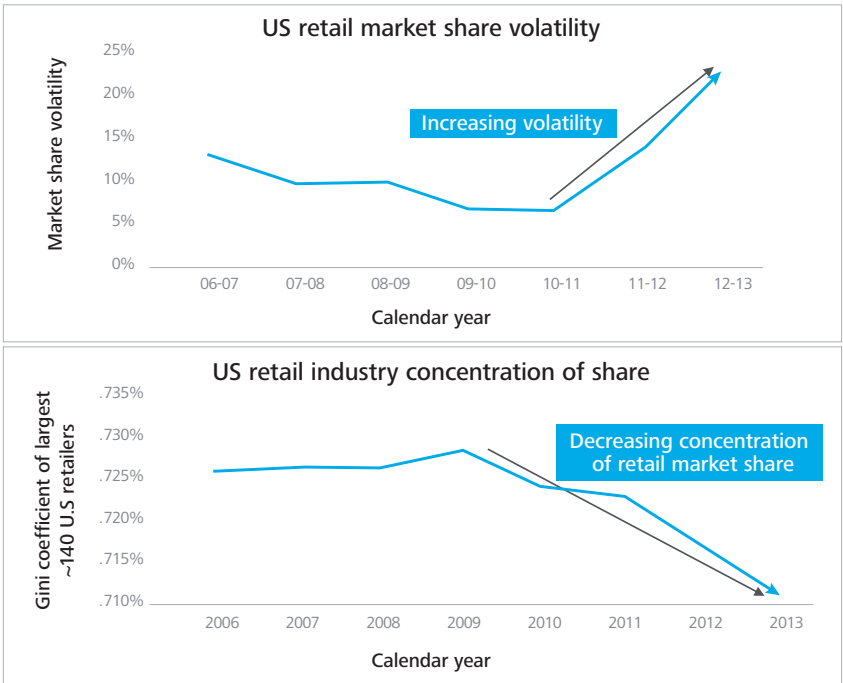
Customers are drawn to the ease and convenience of ecommerce, demanding retailers enhance their in-store experiences to drive traffic.

Digital influence on retail speed

64 cents of every dollar spent in retail stores were influenced by digital in 2015

Source: Deloitte, Navigating the New Digital Divide, 2015.

US retail market share volatility

Increasing volatility

Market share volatility (y-axis): 0%, 5%, 10%, 15%, 20%, 25%
Calendar year (x-axis): 06-07, 07-08, 08-09, 09-10, 10-11, 11-12, 12-13

US retail industry concentration of share

Decreasing concentration of retail market share

Gini coefficient of largest ~140 U.S retailers (y-axis): .710%, .715%, .720%, .725%, .730%, .735%
Calendar year (x-axis): 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013

Source: Deloitte, Navigating the New Digital Divide, 2015.

Competition

Reduced barriers to entry enable small brands with limited capital to scale and compete with established retailers, virtually overnight.

Disruptive technologies have increased market volatility, and after a hundred-year trend of market consolidation, are now fragmenting market share.

Digital platforms (e.g., search engine technology, social media) have further intensified competition by increasing access and transparency across a variety of brands.

Operating model

Technology-based innovation has enabled the decoupling of the traditional value chain. Access to today's technology-enabled retail ecosystem means small retailers are not required to own the assets or infrastructure, removing massive barriers to entry.

New profit models are emerging as a result of innovative sources of revenue (e.g. automatic replacement, subscription services, advertising revenue, etc.).

New leaner, more agile operating models, not traditionally found in the retail space, are emerging.

Vendor → Suppliers → Warehouses → Retail stores → Customer

Traditional retail value chain

Vendor ↔ Virtual store ↔ Customer

Digital retail value chain   No warehousing, shipping, or associate touch points required

Retail talent research

Deloitte started this journey to investigate the noise we were hearing in the market from our clients. We heard that retailers are "struggling to hire digital talent." However, as we set about our journey, and we began to look deeper at the issue, what we found was something much deeper and more fundamental than a simple difficulty to hire "digital talent."

From January to December 2015, to better understand the talent issues facing retailers, Deloitte's Retail practice conducted a comprehensive study examining a range of retail companies and non-retail technology companies that have begun to play in the retail space. To provide a depth of understanding, Deloitte interviewed retail executives across all functions and retail sub-sectors, conducted a survey of 100 retail leaders, surveyed Millennials, and incorporated other Deloitte research, including our Human Capital Trends report and the 2015 Digital Divide study. Ultimately, we established a base of information that included over 4,000 unique input data points.

As we set about analyzing the data, hunting for insights, we looked at the information through different lenses. We analyzed the data by size of company, geographic location, and primary selling mechanism (brick-and-mortar vs. ecommerce), and frankly, we struggled to find clear patterns. None of these comparisons seemed to show 'distinct' differences. However, and perhaps to our initial surprise, when we compared the data by age of the retail organization, we found a profound set of differences in how organizations think about, value, and treat talent.

Patterns in our findings were most pronounced as we looked across two cohorts of respondents:

Well-established retailers:	Internet-age retailers:
Those founded **before** the Internet age (1995)	Those founded **after** the Internet age (1995)

Note: the term "Internet-age retailers" does not refer exclusively to online, digital companies, but to companies that were "born" after 1995, when the Internet began to impact the retail environment through online shopping portals and digital advertising. Additionally, the cohort of "well-established retailers" does not suggest that these companies do not operate in the digital environment.

Key retail talent research findings

Deloitte's research revealed **five** key findings, each highlighting the growing talent-related challenges in the retail marketplace. While all retailers are influenced by the changing environment, we discovered that the talent challenge tends to impact well-established retailers most profoundly.

1. Retailers across the board are experiencing a shortage of qualified talent, but the struggles of well-established retailers are dramatically more pronounced.

Overall, interest in working in the the retail industry appears to be low. In our survey of Millennials, only 34% of survey participants said they would consider a retail career, and most of those individuals would choose to work at more established e-commerce organizations.

"We cannot hire enough of the right people," one expert said, noting that they were hiring engineers from around the globe. "If Facebook is challenged getting engineers, imagine what retailers are challenged with."

Interestingly, well-established retailers are 21% more likely to experience a shortage of qualified talent, citing pay and lack of interest in retail as primary causes. They are also 11% less likely to believe they have the right people in their organization to address evolving customer and talent demands.

"We cannot hire enough of the right people."

Well-established retailers are:

21% More likely to report a talent shortage compared to Internet-age retailers

At first, it seemed counterintuitive that well-established retailers, who often have more familiar brands, more developed HR functions, and more resources to compensate and develop employees, would experience the challenge of a talent shortage most profoundly, as compared to younger organizations. However, deeper analysis revealed that the timing with which Internet-age retailers entered the market uniquely positions them to manage and prioritize talent in more agile, innovative, and engaging ways. This caused us to hypothesize that there are fundamental differences in the talent systems that were established during very different competitive environments.

Key retail talent research findings (cont.)

2. Retail organizations are striving for increased agility and innovation, but well-established retailers are at a significant disadvantage.

Our study revealed a clear trend where retailers are moving toward flatter, more nimble organizational structures to increase entrepreneurialism and innovation. This flexible structure is especially evident with Internet-age retailers who were born in the age of digital disruption and were therefore compelled to integrate innovative strategies and flatter organizational structures into their operating models from their inception. In fact, they are 17% more likely to agree that decisions are made quickly within their organization, and 7% more likely to agree that their organization is structured to adapt to changes in the industry. They are also much more likely to say they encourage employees to "be innovative," "think broadly," and "risk failure."

Well-established retailers, on the other hand, were born in a less disruptive environment and were likely less concerned with agility in the initial design of their operating models. Consequently, our data tells us that they tend to be less adaptive to evolving marketplace and talent needs. With extensive facilities and tens of thousands of global employees, established retailers are often challenged to operate nimbly, introduce change, and take risks, especially

"If people aren't open to change and thinking about the next step, they will get passed by."

compared to newer companies. Well-established retailers are 31% more likely to describe their organization as hierarchical and disagreed by 25% more that their organization structure rewards employees for innovation. And even more startling, only 1% of well-established retailers strongly agree that they encourage employees to experiment with new technologies, which leads to a significant divide between our two cohorts in the organizational view of "digital."

Internet-age retailers are:

17% More likely to agree that decisions are made quickly in their organization
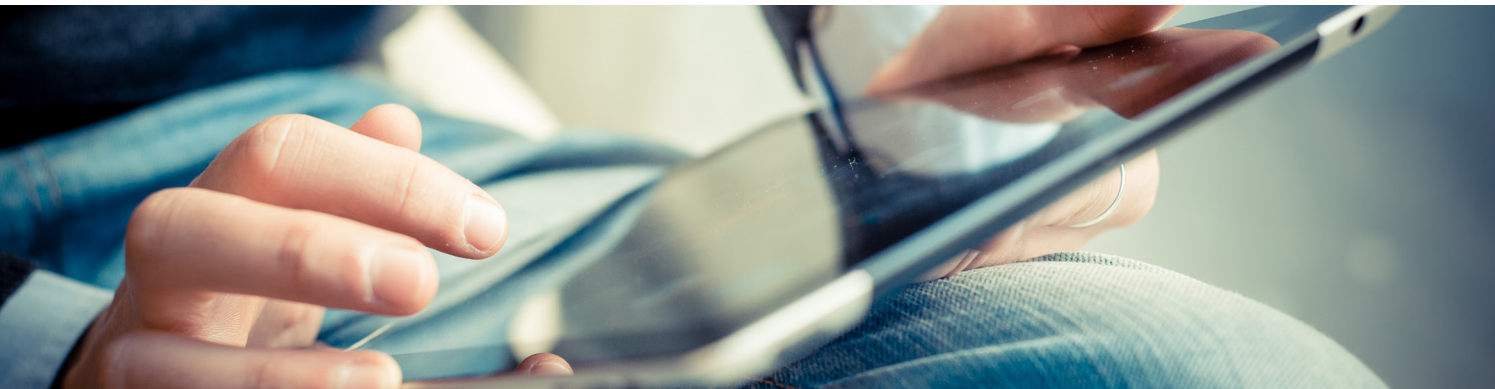
3. Digital is becoming engrained in the retail culture and operating model, and Internet-age retailers are ahead of the curve.

Technologies such as mobile devices, apps, sensors, analytics and RFID are changing the way retailers design, merchandise, market, and distribute products; similarly, digital disruption and social networking profoundly impact the way retailers hire and manage talent.[2] Not surprisingly, our experience tells us that retailers that holistically understand digital impacts—and know how to use digital platforms to attract people and drive sales—tend to be more successful in today's complex digital environment.
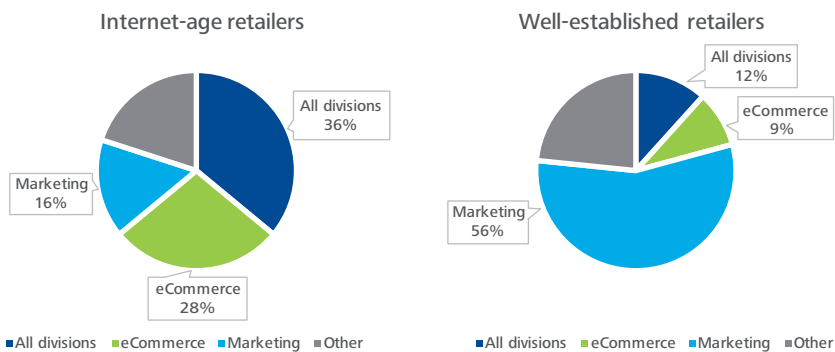
Emerging during a time when the impacts of technology are more commonly understood, Internet-age retailers have the unique opportunity to start from a place where they can consider digital, in many ways unencumbered by existing process or infrastructure. As a result, our study finds they are more likely to embed digital infrastructure throughout their operating models.

"Retail organizations of the future will link digital to everything they are doing."

Internet-age retailers are:

24%
More likely to incorporate digital across all business divisions

On the other hand, well-established retailers often "bolt on" digital capabilities to their non-digital organizational models and tend to think about digital it as a separate operating unit—they have specific employees that are asked to consider digital, but do not have a model that has digital integrated across their business.

These distinct approaches to digital have talent implications, since organizations with a more robust digital model are likely more capable of attracting, engaging, and retaining talent. However, what became clear—and this is one of the most important findings we uncovered—is that it isn't digital talent, in the context of talent with ecommerce experience, but rather functional talent that understands the business implications of technological disruption on their business function.

"Who is responsible for your organization's digital go-to-market strategy?"

Internet-age retailers

All divisions
36%

Marketing
16%

eCommerce
28%

■All divisions ■eCommerce ■Marketing ■Other

Well-established retailers

All divisions
12%

eCommerce
9%

Marketing
56%

■All divisions ■eCommerce ■Marketing ■Other

Key retail talent research findings (cont.)

4. Continuous change in the way retailers operate is driving evolution in retail skill requirements, and Internet-age retailers are more adept to respond.

Across Deloitte's research, one theme clearly emerges from the executives with whom we spoke: The organizational capabilities necessary for retail success have fundamentally changed over the past decade—but even more acutely in the last five years. As a result, the skills needed at the employee and leader levels have also evolved.

As one executive described, "If you go back 10 years, if you had great store leaders, merchants and planners, there is a good chance that you win. Fast forward to today—there are three other roles that are absolutely critical to winning… fulfillment experts, data scientists, and technologists."

Still, while retailers work to meet the needs of consumers in the digital age, the emphasis on current talent requirements and skill development is lagging. This is especially true for well-established retailers, who, our data shows, are 24% less likely than Internet-age retailers to invest in employee learning and 20% less likely to develop new training techniques. In contrast, our survey also revealed that Internet-age retailers host a larger population of employees with science, technology, or engineering backgrounds, and are 13% more likely to develop a succession planning approach that reflects the dynamic industry.
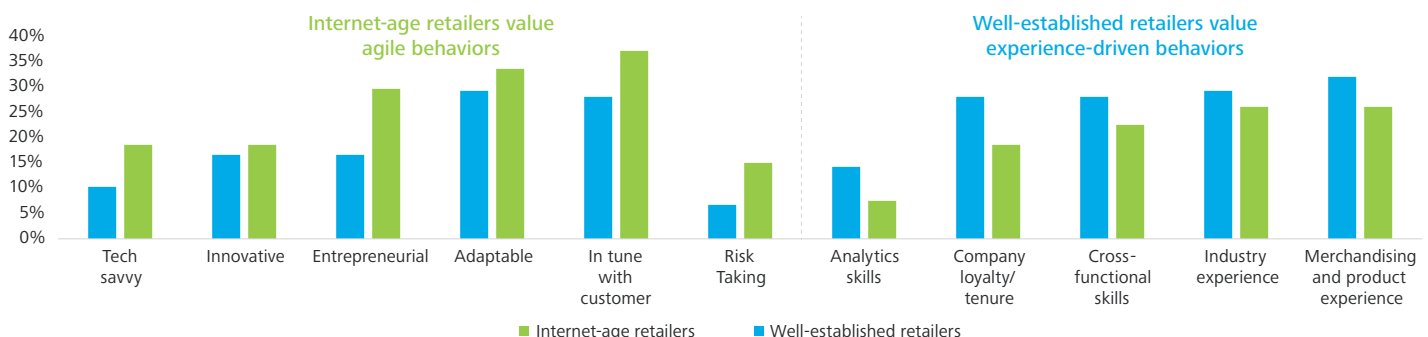
Well-established retailers are:

24% Less likely to invest in employee learning

Internet-age retailers are:

13% More likely to value entrepreneurial behaviors in employees

As the retail environment continues to evolve, and technology advances at the rate of Moore's law (doubling in price/performance every two years), commonly used methodologies and technologies will be replaced by new tools and techniques in a continuous cycle of innovation. To respond, retailers will need agile talent who can solve complex problems, adapt to change quickly, and innovate to remain competitive. It appears that Internet-age retailers have a stronger understanding of the demand for agile talent since, across the board, they reported placing a higher value on agile behaviors (e.g., entrepreneurialism, adaptability, tech-savviness). Established retailers, on the other hand, reported experience-driven behaviors (e.g., company loyalty, tenure, merchandising, and product experience) as most important. This suggests that Internet-age retailers seek, hire, reward, and develop talent based on a very different set of attributes. This set of attributes is more aligned with agility, speed, and responsiveness rather than historic experience, depth and ability to optimize. Taken together, these points demonstrate a chasm in the battle for talent, and the battle is only intensifying.

Important talent characteristics for Internet-age vs. Well-established retailers

Internet-age retailers value agile behaviors

Well-established retailers value experience-driven behaviors

Chart legend: Internet-age retailers, Well-established retailers

Categories: Tech savvy, Innovative, Entrepreneurial, Adaptable, In tune with customer, Risk Taking, Analytics skills, Company loyalty/tenure, Cross-functional skills, Industry experience, Merchandising and product experience

Key retail talent research findings (cont.)

5. The competition for fresh, highly skilled talent is intensifying, and well-established retailers are falling behind.

According to the US Bureau of Labor Statistics, Millennials currently represent 31% of the workforce and will comprise more than 75% of the workforce by 2030. Born between 1980 and 1995, Millennials possess the technology-related skills that retailers need and desire, as the percentage of engineering and technology-related graduates continues to grow.[3]

As this new generation of talent populates the workforce, retailers may be falling short in appealing to them—only 7% of Millennials perceive work in retail as engaging, and 34% believe that the total rewards are not competitive with other industries.

Still, Internet-age retailers are making a more targeted effort to understand what the Millennial workforce desires—they are 28% more likely to report making changes based on the needs and wants of the Millennial workforce and 11% more likely to say they have the right talent in the right place to address the expectations of the next generation.
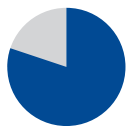
Internet-age retailers are:

28%

More likely to make changes based on the needs and wants of Millennials

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Millennial **values** and **perceptions**

Diversity & inclusion

79% of Millennials value **diversity & inclusion**

Social responsibility

78% of Millennials value **social responsibility**

Industry brand prestige

73% of Millennials prioritize **brand prestige**

…but…

43% believe retailers consider **diversity & inclusion** in the workplace

19% believe that retailers prioritize **social responsibility**

27% believe that retail is a **prestigious industry**

Overall, our research revealed…

… that there is a fundamental difference in the talent systems built by Internet-age retailers versus well-established retailers, leading well-established retailers to experience a more profound talent shortage. This chasm largely exists because of the separate circumstances under which these two cohorts established their systems and strategies: Internet-age retailers who built their infrastructure in a more dynamic, digital environment were able to embed agility and digital infrastructure within their operating model. Well-established retailers, on the other hand, were forced to "tack on" these new business requirements to their "well-established" systems, which, by and large, were non-digital and non-agile. Failing to adapt is a competitive disadvantage that this cohort must address immediately to be competitive in today's evolving retail environment.

What should retailers do to address these findings?

Above all, recognize that the changing competitive environment has significant systemic talent implications that must be addressed.

Our findings suggest that Internet-age retailers have built talent systems better able to address the demands of today's competitive market. These systems are more in-line with the wants and needs of the Millennial workforce and are designed to adapt to a faster changing world. While well-established retailers need to follow in the footsteps of their counterparts, Internet-age retailers cannot afford to take their feet off the gas. All retailers need the right people in the right place at the right time in order to survive and thrive. With speed of the market comes less time to adapt and respond. This requires leaders to understand that talent must be a highly visible and deeply embedded priority, and to think strategically about talent implications when making business decisions.

In order to do this effectively, retail organizations should consider the following strategies:

1. *Leverage your company value proposition and brand to drive your employer brand in the market.*
2. *Design an agile organization enabled by "on demand" workforce models.*
3. *Invest in employees to make retail a career and not a job.*
4. *Build a culture and brand that connect with the emerging workforce.*

It's a flaw to pretend that retail is homogeneous and that there is a one-size model. How organizations apply these recommendations will vary based on their operating models and business objectives. For this reason, we suggest retailers first consider their value proposition to understand and prioritize their most pressing talent needs.
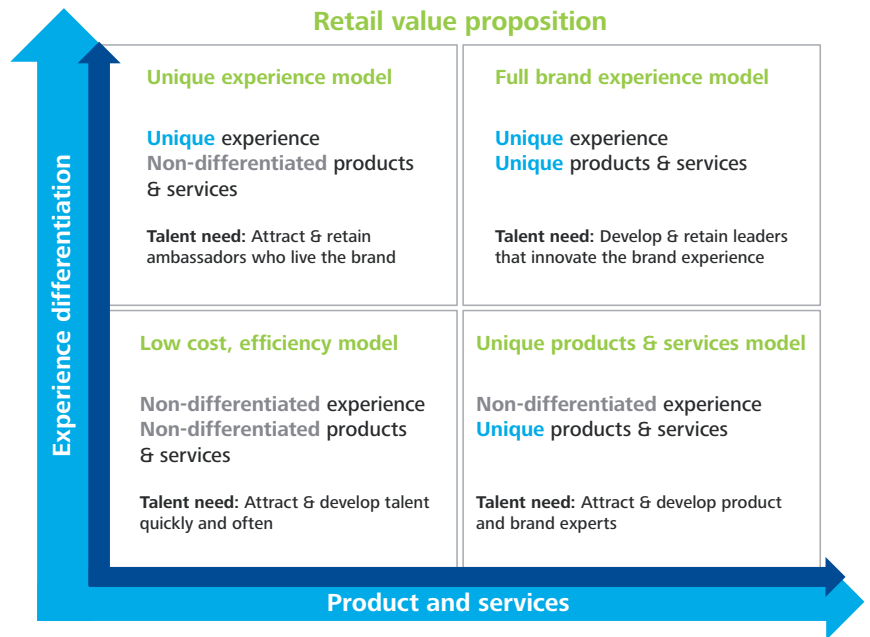
1. Leverage your company value proposition and brand to drive your employer brand in the market.

Consider the "value proposition" you want to offer both consumers and talent

There is no one-size-fits-all approach to talent. What works for an organization attempting to operate at the lowest possible cost will be different than what works for an organization seeking to offer a differentiated experience. We've organized retailers across four quadrants to illustrate how talent priorities differ based on the typical level of product or experience differentiation.

As companies consider their talent strategy, they should look through the lens of their value proposition to align the approach to talent in a way that amplifies their proposition.

Retail value proposition

Experience differentiation (vertical axis) / **Product and services** (horizontal axis)

Unique experience model

Unique experience
Non-differentiated products & services

Talent need: Attract & retain ambassadors who live the brand

Full brand experience model

Unique experience
Unique products & services

Talent need: Develop & retain leaders that innovate the brand experience

Low cost, efficiency model

Non-differentiated experience
Non-differentiated products & services

Talent need: Attract & develop talent quickly and often

Unique products & services model

Non-differentiated experience
Unique products & services

Talent need: Attract & develop product and brand experts

Unique experience model	Provide a differentiated experience for customers. These retailers should attract and develop brand ambassadors who can drive traffic to the store and continually innovate the brand experience.
	Retailers should consider… offering a unique and customized experience to talent and encouraging talent to do the same for customers.
Low-cost, efficiency model	Sell commodities at the lowest possible price. These retailers should aim to attract and develop talent quickly and consistently in order to effectively maintain efficient, low-cost operations.
	Retailers should consider… investing in employee recruitment and development programs to maintain a steady pipeline of available talent, and perhaps considering a contingent workforce to mirror business fluctuations.
Full brand experience	Customize products, services and experiences (in store and online). These retailers should retain and develop talent who can stay at the forefront of trends to innovate products, services, and customer experiences.
	Retailers should consider… demonstrating an investment in employees through compensation and career growth trajectories to compete with other industries for highly skilled, heavily demanded talent.
Unique product model	Offer differentiated products and services that consumers cannot find elsewhere. These retailers should attract and develop talent who can skillfully innovate and market their product.
	Retailers should consider… revamping recruiting efforts with an emphasis on creative, digital talent; this might involve hosting "innovation boot camps" or skill-based interviews to boost perceptions of retail as a forward-thinking industry.

What should retailers do to address these findings? (cont.)

2. Design an agile organization enabled by "on demand" workforce models.

Standardize agility within your operating model

As computing power doubles every two years,[4] technology innovations continue to accelerate and transform the retail environment. Organization design, therefore, is the number one priority in consumer business, since retailers must redesign their operating model to keep up with disruptive change.[5]

What are the fundamental processes, capabilities, and competencies required to execute the strategic vision? Companies today should foster an adaptive culture focused on organizational agility over operational execution. This involves empowering and incentivizing individuals across the organization to think critically, solve problems creatively, and take risks even if they may fail.

"The key is to ramp up, fail fast, and continue to innovate. Quick, small changes all of the time—this is the goal."

"Makeup of teams has become much more important than the attributes of individuals on the team."

Retailers with the flexibility to quickly build and deploy teams will likely be better suited to respond to unexpected market fluctuations and disruptions. With only 19% of retail executives surveyed feeling expert at building cross-functional teams, and only 12% understanding how people work together in networks,[6] there is a huge opportunity for retailers to catch up with this trend.

Retailers should also move away from hierarchical models by eliminating organizational layers and by questioning the need for middle managers. Responsibility should sit closer to where decisions have effect. The most successful retailers tend to emphasize high degrees of empowerment, strong communication, and rapid information flow.

On one end of the operating agility spectrum is Zappos, who is visibly experimenting with holacracy which "…is a comprehensive practice for structuring, governing and running an organization. It replaces today's top-down, predict-and-control paradigm with a new way of achieving control by distributing power."[7] In Zappos' case, CEO Tony Hsieh has restructured his organization to help achieve increased innovation. While Zappos is representative of one of the largest organizations to completely do away with management altogether, other organizations are following suit to create flatter, nimbler structures.

When Larry Page became CEO of Google in 2011, he quickly removed management layers and flattened the organization.[8] In doing so, Google was able to continue to be the fast moving, innovative and flexible company that it continues to be, despite its size. On the other hand, most large organizations use a matrix structure where product management, marketing, and sales are vertically aligned and support functions are horizontal. Such organizational structures enable companies to take advantage of economies of scale as they grow; however, they may also cause companies to forfeit much of their flexibility.

Hire dynamic talent with digital skills

The retail world is being transformed by new technology. Social network giants like Instagram, Twitter, Facebook, and Pinterest allow customers to buy products with just a few clicks. Search engines have increased transparency and allow for easy comparison shopping. Many retail stores now engage customers through a wide array of in-store technologies, such as smart mirrors and customer-service iPads.

"Experts [now] have 23 months of experience. What this means for us is that you can train people to fill niches in short periods of time."

With digital influencing $1.70 trillion of in-store sales and $300 billion in online sales, [9] retailers should hire talent that can connect digitally to consumers. They should be capable of quickly adopting new technologies to target customers before, during, and after their visits to both online and brick-and-mortar stores. The dynamic retail worker of the future should be comfortable performing analytics and channeling insights to product and merchandising decisions. Fast-learning, technology-fluent employees will likely be more adept at meeting the expectations of customers who are ever-changing and technologically-savvy themselves.

Retailers should strategically think through where, when, and how to attract talent with "digital" in their DNA. The first place to look is at the heavily connected customer. Dynamic talent with digital expertise can also likely be found at universities, particularly schools with a creative or technical niche, or from other industries that have a strong focus on technology or innovation. Retailers should therefore enhance their recruiting presence at colleges, in stores, and online social media and networking platforms, always being mindful of the messages conveyed to talent and consumers alike.

What should retailers do to address these findings? (cont.)

To create a talent strategy that meets the needs of a changing retail environment, retailers can make data analytics "business as usual" in their organizations. Just as retailers use customer data to design customer experiences and products that reflect the needs and desires of their customers, so also can forward-thinking retailers use data analytics to accurately identify talent trends and skills gaps and to provide the insights needed to make talent decisions within their organization. These analytics can facilitate a new approach to workforce planning and can change the game in forecasting talent needs, mapping job categories, anticipating redundancies, and predicting supply and demand of talent.[10]

Integrate new talent models into your business strategy
With freelancers making up more than a third of the U.S. workforce (a number that is anticipated to increase to 40% by 2020),[11] retailers can leverage this growing population to overcome talent shortages and address business needs.

For example, retailers aiming to operate a low-cost, efficiency model often need talent quickly and are less concerned with strong ties to the brand or product offering. These retailers can implement "talent sharing" across the industry to deliver a healthy supply of available workers at any given time. Similarly, retailers attempting to provide a more differentiated product or experience can deploy contingency workers to support in a digital or technological capacity.

Forrge, a new mobile application and web platform, connects contingent workers with available job opportunities. Workers can view schedules posted by retailers at which they are approved to work and pick up shifts on demand. This enables greater flexibility and helps avoid skill mismatching. A rating system similar to that used by Uber will follow individual users and will be accessible to store managers and store locations for greater transparency. Additionally, a dynamic pricing model for individual shifts can be turned on by retailers, aligning supply with demand.[12]

Companies like TopCoder and Kaggle host competitions where experts from quantitative fields (science, statistics, econometrics, math, physics, etc.) can help real-world organizations solve problems. Kaggle hosts more than 500,000 data scientists on its job boards,[13] and Top Coder has awarded over $75 million to freelance workers to date.[14] These companies make technical talent available on demand for organizations seeking to enhance their digital and analytical infrastructures.

Retailers may also consider forming partnerships with technology companies to share talent across sectors, which would help employees develop new skills and expertise (in addition to addressing talent shortages). As an added benefit, leveraging the contingent workforce will likely help retailers appeal to the next generation of workers who expect to change jobs frequently and value flexibility and mobility in how and when they work.

3. Invest in employees to make retail a career and not a job.

Perceptions of low wages and minimal opportunity for advancement often deter high-potential talent from pursuing retail careers. Fold in historically high turnover rates in retail and evidence suggesting that most Millennials plan to leave their current employer by 2020,[15] and we witness an increased demand for retailers to think strategically about employee investment. Research shows that retailers who place a high value on talent by investing in higher wages, improved training and development, and clearly defined future opportunities will likely attract and retain the type of talent needed to remain competitive.[16]

Then…		Now…
Provide entry level workers with minimal development and career opportunity	**Opportunity**	Clearly define career paths and provide development opportunities for entry level workers
Consider retention challenges just part of the business		Create a strategic competitive advantage by increasing retention and employee engagement
Provide basic training on operations	**Learning & Development**	Invest in training retail employees on customer service, market strategy, etc.
Provide minimal training on product and service knowledge		Upskill employees with on-the-job training to meet customer demand for superior product knowledge
Minimize employee rewards to drive down labor costs	**Compensation**	Reward and incentivize employees to align with company values and behaviors
Pay people hourly with low benefits		Increase overall wages and benefits to attract and retain top talent

Provide career growth trajectories

Almost unanimously, retail executives identified existing personnel as their most valuable source of future talent.[17] Compared to peers, organizations with strategic leadership development programs are 20 times better at employee retention, 12 times better at executing on change and growth, eight times better at creating a performance-based culture, and seven times better at achieving business results.[18]

Retailers can start by reshaping entry-level roles to have clearly defined trajectories, where employees can expect to be promoted to positions with increased pay and responsibility. Retailers can also offer rotational programs designed to increase exposure and develop experience. Intensive coaching, "stretch" assignments, organic mentorship (and reverse mentorship—where senior leaders learn from junior employees) can help create a robust pipeline of innovative, emerging leaders.

Rent the Runway (RtR), an online service that provides designer dress and accessory rentals, believes in fostering a strong mentorship culture where employees at all levels are engaged in learning and innovation. RtR often hires people in a junior role without hiring for the position above them and desires to train employees up to C-level positions. This creates the expectation that employees will fail, learn, and eventually grow into C-level employees. Instead of hiring someone with a bullet-proof resume, CEO Jennifer Hyman desires to train an employee to eventually build a bullet-proof resume. She says, "I want to hire someone who is hungry, for whom Rent the Runway is going to be the defining career experience on their resume."[19]

What should retailers do to address these findings? (cont.)

Aiming to provide on-demand product education to over 100,000 internal and external retail sales associates across the globe, Nike designed a digital learning platform called "Sports Knowledge Underground (SKU)" that can be accessed on any device globally and delivers product knowledge in multiple formats (videos, PDF sheets, interactive exploration of the products, etc.). The SKU platform features engaging content and an easy-to-use interface and allows associates to select learning modules that suit their needs on-demand. The platform provides associates with immediate access to product knowledge that can be used to influence customers at the "moment of truth," which Nike describes as the moment people are looking for information to make a buying decision.[24] Through the digital learning platform, Nike can track users, assign curriculum, administer quizzes, provide certifications, and award points for completion, creating a peer motivational element.[25]

Consider QuikTrip, a large chain of convenience stores with gas stations. QuikTrip sells gasoline and merchandise at lower prices than many of their competitors and yet they pay their employees a regular wage, customer service bonus, profit bonus, and even an attendance bonus. The company sales per square foot are 50% higher than industry average, their profit per store more than twice the industry average, and their labor productivity is 50% higher than the top quartile in the industry. According to Zeynep Ton, author of The Good Jobs Strategy, "QuikTrip doesn't treat its employees well because its profits are up, QuikTrip's profits are up because it puts its employees at the center of its business. . . Rather than seeing its labor force as an expense to be controlled, QuikTrip sees its people as an engine of sales, service, profit, and growth. The better that engine is humming and the more it can be fueled, the better the company will do."[27]

Enhance opportunities for skill development

Nearly every CEO and CHRO we surveyed reports that their employees are not developing skills fast enough to keep up with market demands. Organizations with strong learning cultures are 92% more likely to develop innovative products and processes, 52% more productive, 56% more likely to be the first to market with their products and services, and 17% more profitable than peers.[20] Their engagement and retention rates are also 30–50% higher.[21]

Retailers must move beyond traditional learning programs and instead create an employee-centric learning culture, where employees are "viewed as customers to be satisfied, rather than students to be pressured."[22] Learning should be a continuous, self-directed process, rather than an episodic event, where employees can access the content they need, when they need it. Retailers can start by understanding the knowledge and skills required and desired, and then help employees "learn how to learn" by providing a wide range of internal and external resources.[23] This includes innovative mobile, social, and web-based platforms such as massive open online courses (MOOCs), micro-learning (e.g., short instructional videos), and knowledge-sharing communities that enable employees to access content on-demand.

Retailers might also consider adding regional training centers or stores of excellence in the field to promote collaborative, experiential learning and to immerse employees in challenging new environments. Overall, learning should be a continuous aspect of the employee experience, designed to help them do their jobs and advance their careers.

Reconsider your compensation model

Retailers can deliver higher profitability per employee by motivating talent through above-average wages.[26] In contrast, the idea of "lowering the cost of labor" to save money can backfire for retailers as employees who feel under-appreciated and under-rewarded tend to become less productive and offer worse customer service. Investing in increased compensation will likely help retailers compete with other industries for the highly skilled digital, agile, and creative talent that is needed to innovate in the dynamic retail environment.

"Once you get past a certain average compensation, the most important thing is doing interesting work. We give people 15–20% of unstructured time to do projects that are interesting to them; we give people their own space."

4. Build a culture and brand that connect with the emerging workforce.

Target the story you tell

Inspiring a future workforce through a compelling employer brand will be critical to attract and retain employees. Individuals who are "proud" of their employer brands are 25% more likely to feel connected to their company,[28] and such a connection inspires employee satisfaction and loyalty.

Retailers should expand their retail brand to develop an employer brand that people find consistent with their personal values or which potential employees would be proud to adopt. A company's brand represents the lifestyle they aim to bring to not only their customers but also their talent. And in efforts to inspire and attract the engineers, web developers, data scientists, and technologists who are needed (but who are also being recruited by rapidly growing startups or popular technology companies), retailers should consider the unique story they have to tell regarding what differentiates them in the marketplace (e.g., a unique product, an engaging experience, a strong organizational mission, etc.). This story should then lay the foundation for marketing and branding efforts aimed at potential employees.

On their careers site, Stitch Fix, the online subscription and personal shopping service, using language such as "creative outlet," "unleash your passion," "join a community," and "personal growth," infusing its employer brand with a sense of purpose, creativity, and collaboration.[29]

Google
"Do cool things that matter."

Rue la la
"Inspiration every day.
Personal style for life."

Facebook
"We're making the world more open and connected. Want to help?"

Uber
"Do work that moves people."

Engage employees by crafting a customer-like employee experience

While a retailer can attempt to manage its employer brand through targeted messages, organizational brands are often defined by the actions and practices that occur within the company.

In an age where more than 70% of all employees report that they are not fully engaged,[30] and companies with engaged employees outperform those who are not engaged by up to 202%,[31] consumer business executives continue to rank culture and engagement as top priorities.[32] When selecting an employer, potential employees tend to value company culture almost twice as much as compensation.[33]

Several factors influence employee engagement, such as leadership, work environment, resources, development opportunities, and relationships. It appears that, now, an organization's mission, contributions to society, and ability to empower employees are driving engagement more than ever. [34][35]

Just as retailers listen to customers to drive product selections and store experiences, retailers should listen to employees to understand factors that either drive or decrease employee engagement. The employee experience should be a direct reflection of the experience retailers aim to offer customers, and vice versa.

"Culture used to fall by the wayside when things got tough... Now, it has to be at the core of who you are."

What should retailers do to address these findings? (cont.)

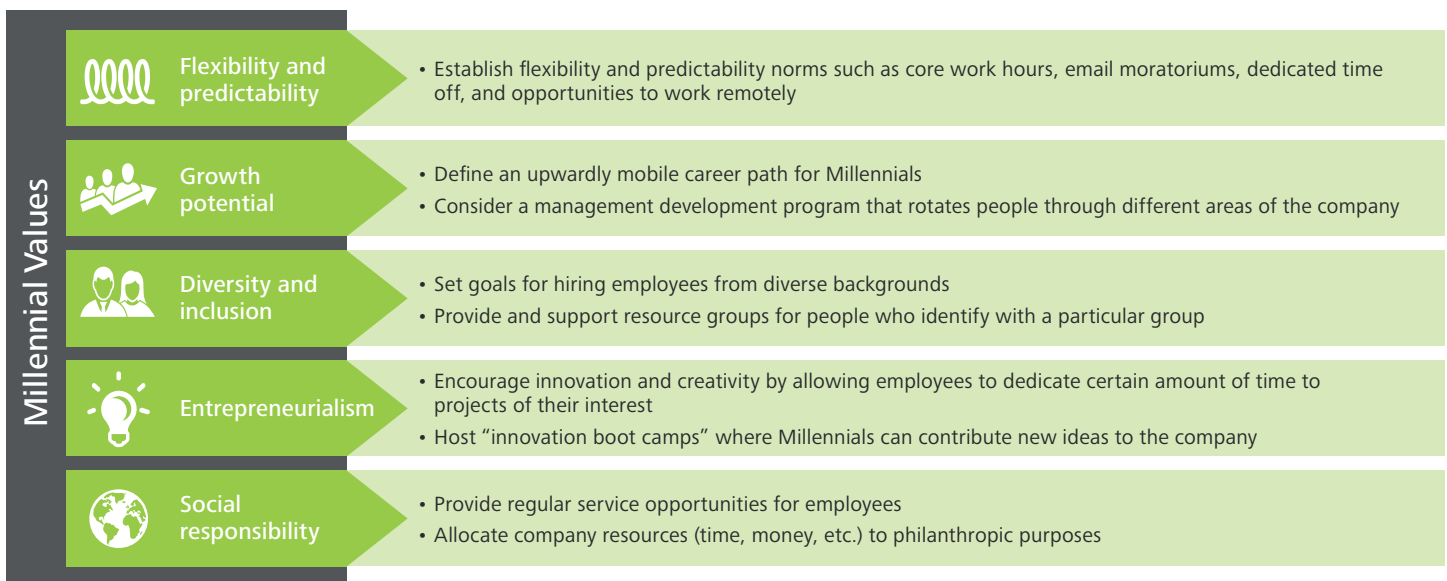## Retailers that consider the millennial workforce in their decisions

5% vs. **40%**

of **Well-established** retailers

of **Internet-age** retailers
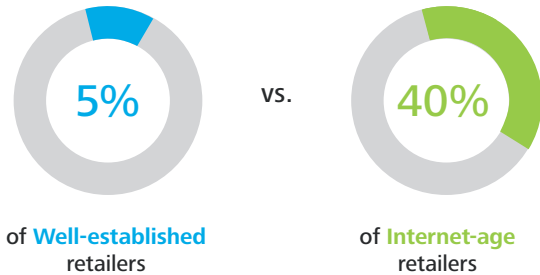
"Millennials have the guts to ask for what they want. You have to be more aggressive to meet their demands."

Appeal to the next generation of talent

What exactly do Millennials and Digital Natives value, and how can retailers capitalize on these preferences?

- *Flexibility and predictability:* Millennials have high expectations for their employers, expecting things like the opportunity to work remotely, take time off when needed, and work irregular hours as long as the work meets deadlines and expectations. Specifically, 88% of Millennials surveyed desire opportunities to start and finish work at the times they choose, and 75% would like to work from home or from other locations where they feel productive.[36]

- *Growth potential:* Millennials tend to expect frequent opportunities for job growth and promotion. In fact, according to Time magazine, "40% [of Millennials] think they should be promoted every two years—regardless of performance."[37]

- *Diversity and inclusion:* Millennials appear less willing to tolerate unfavorable, non-inclusive workplaces and cultures. 83% of Millennials report being actively engaged when their organization fosters an inclusive culture, compared to only 60% when their organization does not foster an inclusive culture.[38]

- *Entrepreneurialism:* Millennials and Digital Natives have entrepreneurship in their DNA, with 61% of Millennials and 72% of Digital Natives intending to start a business. In a like manner, 43% of Millennials and 61% of Digital Natives desire to be an entrepreneur rather than an employee.

- *Social responsibility:* Millennials tend to value jobs that provide opportunities to "make a positive social impact on their own children and communities, as well as on society as a whole."[39] They are increasingly conscious and concerned with humanity's impact on the planet, as evidenced by the 26% who volunteer on a regular basis and that Social Entrepreneurship is one of the most popular career choices for this generation.[40]

Millennial Values

Flexibility and predictability	• Establish flexibility and predictability norms such as core work hours, email moratoriums, dedicated time off, and opportunities to work remotely
Growth potential	• Define an upwardly mobile career path for Millennials • Consider a management development program that rotates people through different areas of the company
Diversity and inclusion	• Set goals for hiring employees from diverse backgrounds • Provide and support resource groups for people who identify with a particular group
Entrepreneurialism	• Encourage innovation and creativity by allowing employees to dedicate certain amount of time to projects of their interest • Host "innovation boot camps" where Millennials can contribute new ideas to the company
Social responsibility	• Provide regular service opportunities for employees • Allocate company resources (time, money, etc.) to philanthropic purposes

Millennials and Digital Natives tend to value organizations and products that are perceived to create meaningful, frictionless, and customized experiences for both consumers and employees. For retailers to capitalize on this growing share of the workforce, they should consider taking the actions that will rebrand themselves now.

Conclusion

With the retail competitive landscape changing so radically and fundamentally, it is not just the so-called progressive companies that succeed; the real winners are retailers with a thoughtful, forward-looking approach to talent.

Talent undeniably impacts a retailer's customers, its competitiveness in the market, and the effectiveness of its operating model. By understanding the profound influence talent has, and by integrating talent prominently into their overall retail strategy, retail companies can better serve their customer base while positioning their company to adapt to the changing market.

Our research indicates that the best performing retailers now design entire product offerings and customer experiences around people—not just the customers they serve but the employees who serve customers. These retailers understand that a compelling employer brand can influence and strengthen their customer brands. They:

- Leverage their company value proposition and brand to drive employer brand in the market.
- Design an agile organization enabled by 'on demand' workforce models.
- Invest in employees to make retail a career and not a job.
- Build a culture and brand that connect with the emerging workforce.

Talent is the conduit that retailers depend on to deliver an evolving strategy and brand promise to an increasingly demanding customer base; an innovative, forward-thinking talent strategy could mean the difference between winning and losing in today's evolving retail landscape.

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