

EXCLUSIVE 2018 STORE OPERATIONS SURVEY

WORKFORCE INITIATIVES HELP
SOLIDIFY STORE OPERATIONS

Success

retail
TouchPoints[®]

SURVEY REPORT

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Workforce Initiatives Help Solidify Store Operations Success

It would seem to be safe to take the brick-and-mortar store off of the “endangered species” list. Even with the fallout from high-profile bankruptcies such as **Toys ‘R’ Us**, the role of the store as a relevant, indeed essential, part of the shopper journey seems secure. Just note the many types of retailers — including former online-only pure plays — that have ambitious plans to expand their store footprints:

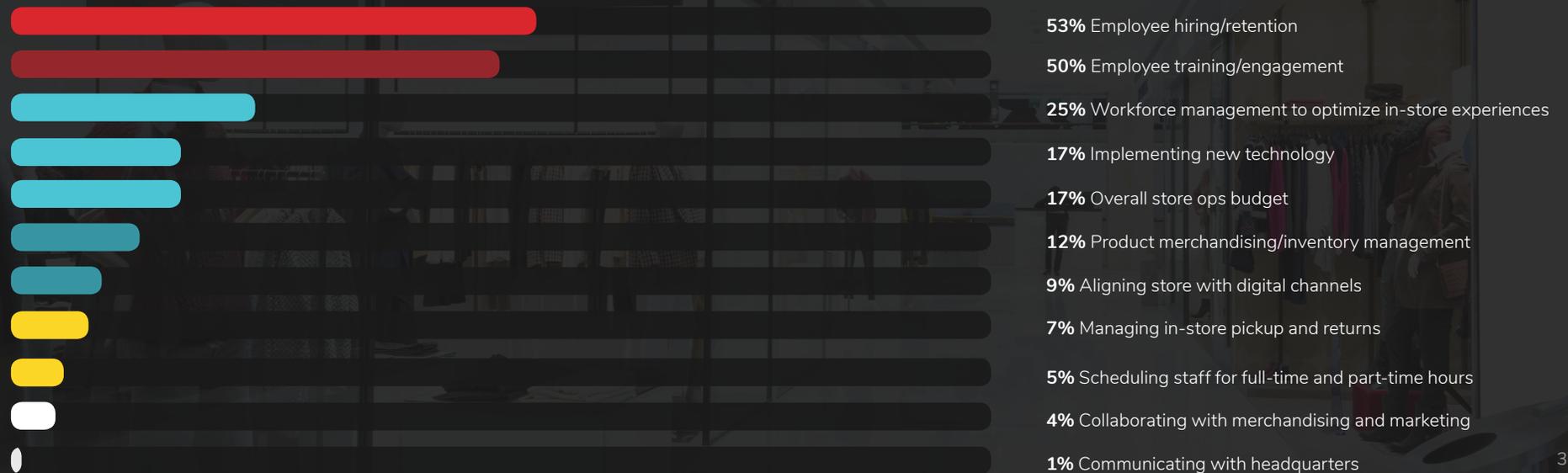
- **Fabletics** plans to open 75 new stores in the U.S. and overseas;
- **AT&T** will open 1,000 new locations by early 2020;
- **Innovative retailers** such as **Warby Parker**, **UNTUCKit** and **Casper** are seeking additional physical outposts for their brands; and
- **Amazon** is expanding its cashierless Amazon Go concept as well as trying out new brick-and-mortar formats, such as a store featuring items that garner high ratings on its site.

But even if the overall status of stores is secure, the challenges of operating them in ways that enhance the customer experience remain steep. In addition to the basics that have always been part of store operations, today’s brick-and-mortar stores are being tasked with:

- Offering similar levels of convenience as **online shopping**;
- Seamlessly integrating with **all other customer touch points**; and
- **Providing unique experiences** that move shoppers toward transactions — even if these transactions ultimately don’t take place in the store.

This sixth annual *Retail TouchPoints Store Operations Survey*, based on responses from 115 retail decision-makers, examines the top challenges omnichannel retailers face in this critical area, as well as the strategies and technology solutions they are using to meet those challenges.

What are your greatest store operations challenges?



Some of the key findings of the survey include:

- **Employee hiring and retention** presents a bigger challenge this year compared to 2017, likely due to a lower national unemployment rate;
- **Predictive scheduling tools** are increasingly popular as new state and local legislation outlaws on-call scheduling; and
- **Mobile technologies** have become essential in-store tools for a wide range of tasks, both customer-facing (e.g. clienteling) and internal (education/training).

Employee hiring and retention topped the list of store operations challenges in 2018, at **53%**. In 2017 only **43%** of retailer respondents identified this as their top challenge. Employee-related issues consistently rank as top store operations concerns — which is understandable given that associates remain a key differentiator separating stores from digital channels, as well as from other omnichannel competitors.

“Physical retail has an inherent advantage over online commerce when associate staffing is done right,” said Greg Portell, Lead Partner in the Global Consumer and

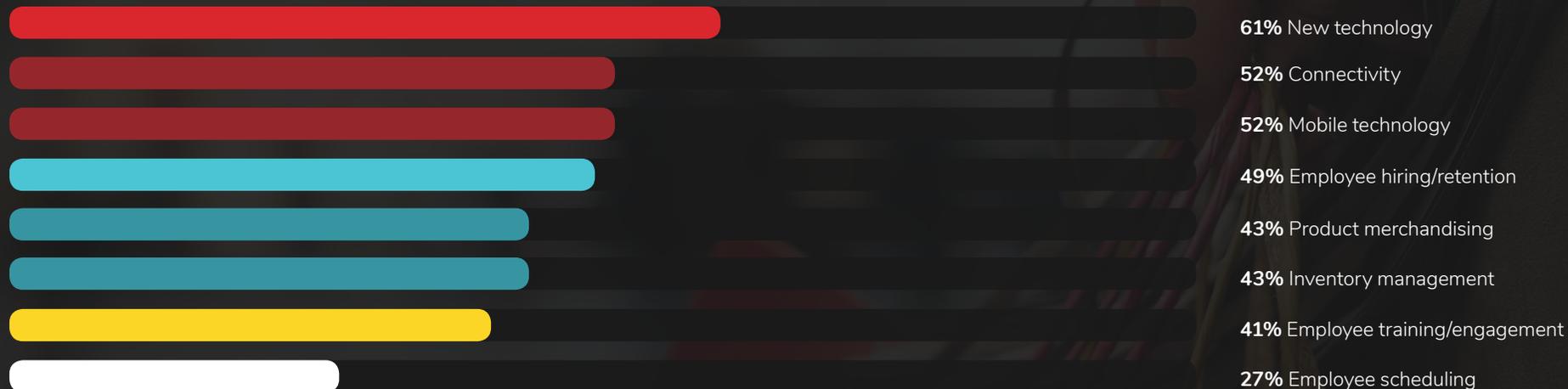
Retail Practice of A.T. Kearney. “As the front line touch point between consumers and retailers, knowledgeable, nice and resourceful associates can tip the scales. Effective sales associates can increase share and size of the basket.”

STORE BUDGETS ON THE RISE

Survey results reveal retailers know that strong store operations boost the bottom line: **41%** of retailers say their budgets increased in 2018 versus 2017, and **40%** stayed flat; only **19%** decreased. Compare this **81%** total to both 2017 and 2016, when the sum was **67%**.

Despite the importance retailers place on hiring, retaining and training store associates, however, their budget priorities tell a different story. Among retailers identifying budget areas that increased in 2018 over 2017, only **49%** gave more dollars to employee hiring/retention, and just **41%** boosted the share spent on employee training/engagement. The leading areas for budget increases were new technology (**61%**), along with connectivity and mobile technology (both **52%**).

Which areas of your store budget have been increased in 2018 versus 2017?





New Data Drives New Store Metrics

By Gary Sankary, Retail Industry Manager, Esri

“Retail apocalypse” nonsense aside, brick-and-mortar stores remain the dominant format for retail. Customers want to shop in stores, and stores continue to power retail revenue by a massive margin. That said, the way retailers are thinking about stores, and the metrics they’re using to measure success, have changed.

In the not so distant past they thought about stores as individual entities, as opposed to pieces of tactical execution within the larger context of brand or market development. With the rise of United Commerce and the challenges it has introduced for retailers around competition and customer loyalty, best in class retailers are thinking about stores as part of holistic, market level strategy. This new ecosystem includes multiple locations, diverse channels and flexible fulfillment models focused on delivering branded, consistent goods and services to a new mobile, data empowered consumer.

Retailers must understand their stores and customers within a much larger context than ever before. A customer driving to work can ask their voice assisted smart phone to order laundry detergent and expect to have it waiting on their doorstep when they get home. This behavior has dramatically expanded the amount of data and insight required to ensure that the customer who requests a delivery is still using the brand she loves when she visits a store.

Location intelligence provides the insights that retailers need to connect customers, stores and digital behaviors. In the past, connecting multiple store visits with one customer was often impossible. Now, by using location data to connect the customer with the location of each transaction, the retailer can form a full picture of her likes and needs, see where and how she makes buying decisions, and understand how products in the store near her home are different from the products she buys on her lunch break.

Store trade areas — the geographic areas from which stores draw their customers — continue to be very important for retailers by driving merchandising decisions and informing marketing strategies. Digital transformation has disrupted how we think about forming personalization and localization strategies based on trade areas. Best in class retailers are thinking outside the simple distance ring or drive time analysis and using sophisticated, data-driven analysis to build trade areas based on metrics such as revenue capture areas or customer mobile sales. Location intelligence is helping retailers understand how having a store in a specific area can lift sales across all channels because of brand penetration.

The metrics that define store success are changing fast. Retailers must see beyond the single store to understand the role that each location has to the total market. Location intelligence provides the tools that connect customers to the brands they love, across every channel.

Gary Sankary is Retail Industry Manager at Esri. He joined Esri in 2014 after a 25-year merchandising career in Tier One retail. He has been directly involved in developing and implementing initiatives to develop and extend retailers’ core capabilities to digital channels.

Retailers Seek Solutions To Match Staffing With Demand

This year’s survey strongly indicates that the changing demands being placed on stores are affecting retailers’ ability to accurately forecast the right staffing levels. The top three workforce management challenges all relate to this disconnect:

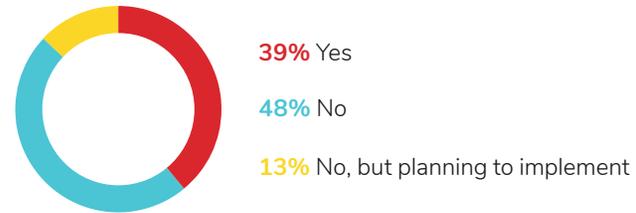
- **44%:** Matching staffing to demand;
- **41%:** Forecasting labor costs; and
- **41%:** Scheduling.

The perennial problem of decreasing turnover, while still important, came in fourth at **35%**.

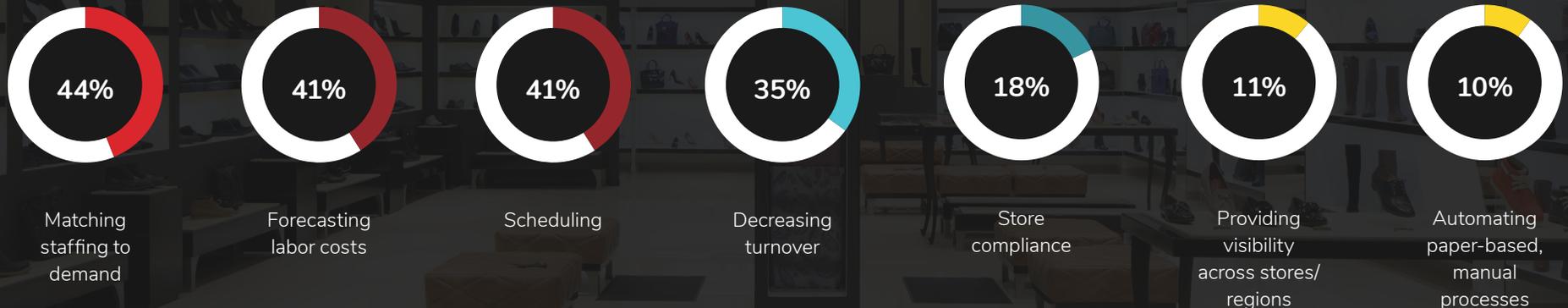
Predictive scheduling solutions, which help companies comply with local and state legislation that mandates they provide written work schedules to employees seven days in advance (extending to 14 days after July 1, 2020), are becoming important store operations tools. The first statewide law, in Oregon, requires employers to offer “predictability pay” if they make changes after the schedule is set, according to Workforce.com.

Nearly four in 10 (**39%**) retailers already have adopted predictive scheduling tools, and another **13%** are planning to do so. Beyond complying with either existing or prospective regulations, these solutions help boost employee productivity and morale in a number of ways, including: advance notice of schedules (**82%**); shift-swapping capabilities (**51%**) and predictable pay (**40%**).

Do you use predictive scheduling in stores?



Top Store-Level Workforce Management Challenges



VIDEO TRAINING INCREASES

Retailers use a wide range of tools to train their associates, but in-person sessions are still their “go-to” educational method. In fact, the percentage of retailers using these sessions rose in 2018 compared to the previous year, up from **74%** to **82%**.

The use of video as a training tool also went up this year, climbing from **66%** to **71%** in 2018. As Millennials and Gen Z employees enter the retail workforce, these highly visual generations will need training tools that match their learning styles.

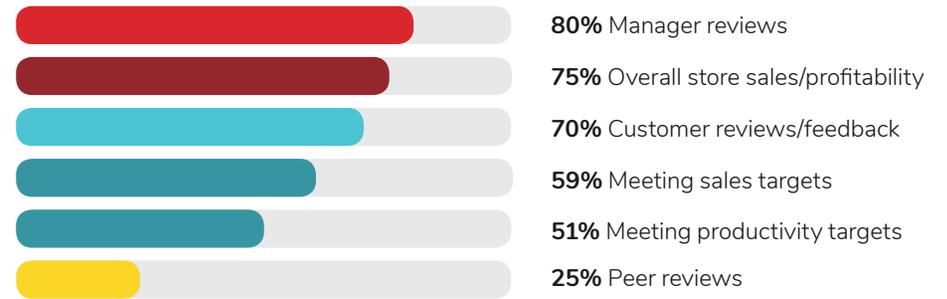
Somewhat surprisingly, retailers’ use of online quizzes and mobile training were virtually unchanged from 2017, and the use of gamification programs actually declined, from **14%** in 2017 to **9%** in 2018. Retailers should explore whether these types of interactive tools offer better results than more traditional training methods.

CUSTOMER FEEDBACK COUNTS WHEN ASSESSING ASSOCIATES

In a question asked for the first time this year, retailers identified the metrics they use to measure store employees’ effectiveness. Customer reviews/feedback was the third choice, at **70%**. Retailers may be recognizing that in an age of social networks and Net Promoter Scores, they should include shopper feedback in their employee evaluations.

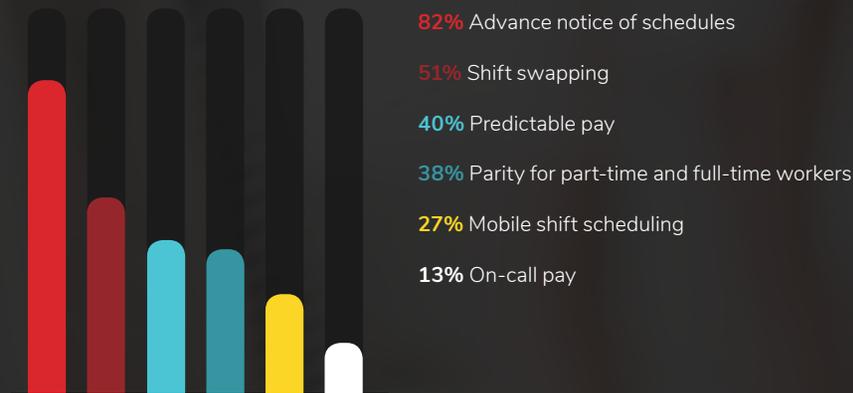
What criteria do you use to measure store employee effectiveness?

(Check all that apply)



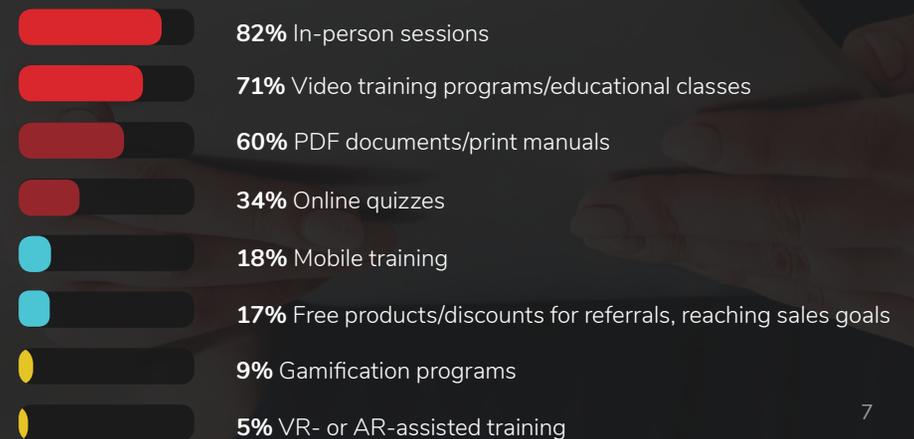
Which predictive scheduling features improve employee productivity and morale?

(Check all that apply)



What types of training and engagement programs do you provide for employees?

(Check all that apply)





Predictive Scheduling Aligns Employee Staffing With Demand

Q&A With Amanda Nichols, Industry Marketing Manager, Kronos

Retail TouchPoints (RTP): How widespread is predictive scheduling legislation now, and is it expanding?

Amanda Nichols: Predictive scheduling regulation is on the rise across the country, falling on the heels of the Formula Retail Rights Ordinances passed in San Francisco in 2014. Since then, we have one state (Oregon) and many localities (Seattle, New York City, San Jose and Emeryville, Calif., etc.) that have adopted some version of these protections, and more than 15 other states are considering such legislation. As other states and municipalities consider these regulations, the challenge retailers will face is one of lack of consistency. Each regulation is similar in principle, but the details vary widely.

RTP: What are the key impacts of operating with predictive scheduling regulations?

Nichols: Many managers consider flexible scheduling of staff critical to successful store operations and often rely on gut instinct when building schedules, and often they make last-minute adjustments to the schedule as their instincts change. This is an extremely risky approach with new predictive scheduling regulations. Workforce management technology, including forecasting and scheduling tools, can help organizations overcome these challenges and meet predictive scheduling legislative requirements. The technology can project customer traffic fluctuations based on historical data, helping you align employee staffing with demand, as well as correctly apply varying work rules and pay rules. The result is appropriate staffing that optimizes productivity and supports employee and customer satisfaction, better control of labor costs, and mitigation of compliance risk.

RTP: What are some of the other benefits of predictive scheduling in retail?

Nichols: First, technology tools enable organizations to incorporate a variety of work shifts, as well as shift-swapping capabilities, providing flexibility for employees and helping to avoid employee fatigue and burnout. These benefits can lead to a **5%**

increase in labor productivity and a **7%** increase in median sales, according to The Stable Scheduling Study.

Second, predictable scheduling will allow employees to have a much better work-life-balance, and this will increase a retailer's retention rate. According to HBR, **83%** of retail workers would be more likely to stay in their current job if they had more control over their schedules.

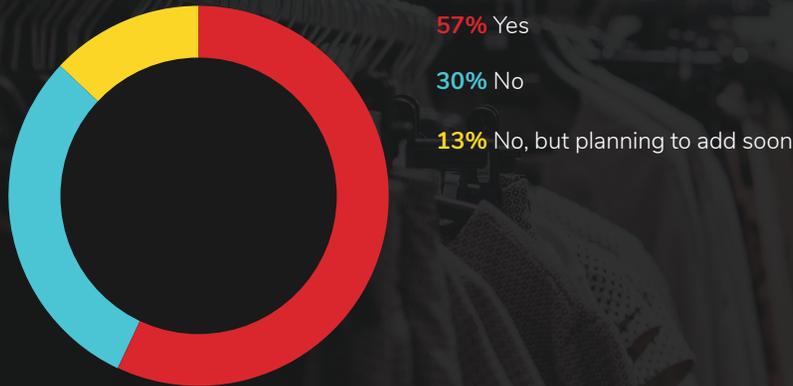
Finally, a reduction in turnover leads to real, measurable business results. According to Aon Hewitt, "a **5%** increase in employee engagement is linked to a **3%** increase in revenue growth in the subsequent year."

RTP: What other big trends are you seeing in retail workforce management going into 2019?

Nichols: The labor shortage, skills gap and changing expectations of Millennials and Gen Z have changed the conversation from 'Why should I hire you?' to 'Why should I work for you?'. Retailers need to consider the employee experience through the same lens they've always viewed the customer experience, and start building out employee journey maps to identify the key moments that matter to employees. Once they have those moments mapped out, they can create strategies and tools designed to meet (and exceed) expectations as it relates to the work experience.

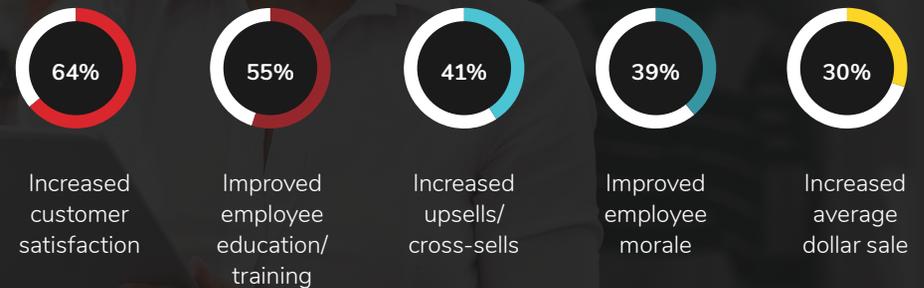
Amanda Nichols is industry manager at Kronos Incorporated, a leading provider of human capital and workforce management software solutions. In this role, Nichols helps lead product direction and go-to-market strategies for several target industries. She is also responsible for partnering across sales, services, product development, and customer support to achieve customer satisfaction goals.

Are your store employees armed with mobile technology?



What benefits have you seen from arming employees with mobile technology?

(Check all that apply)



Mobile Technology Tied To Higher Customer Satisfaction

Retailers use of mobile technology in-store has reached a plateau, with the figures virtually unchanged since 2017, when **56%** of respondents armed associates with mobile technology. This year that figure was **57%**, with another **13%** planning to add mobile soon.

What has changed this year is the technology's impact: mobile increased customer satisfaction for **64%** of retailers this year, up from **58%** in 2017. Nearly one in three (**29%**) retailers also credited mobile with increasing customer retention and loyalty, up from **25%** the previous year.

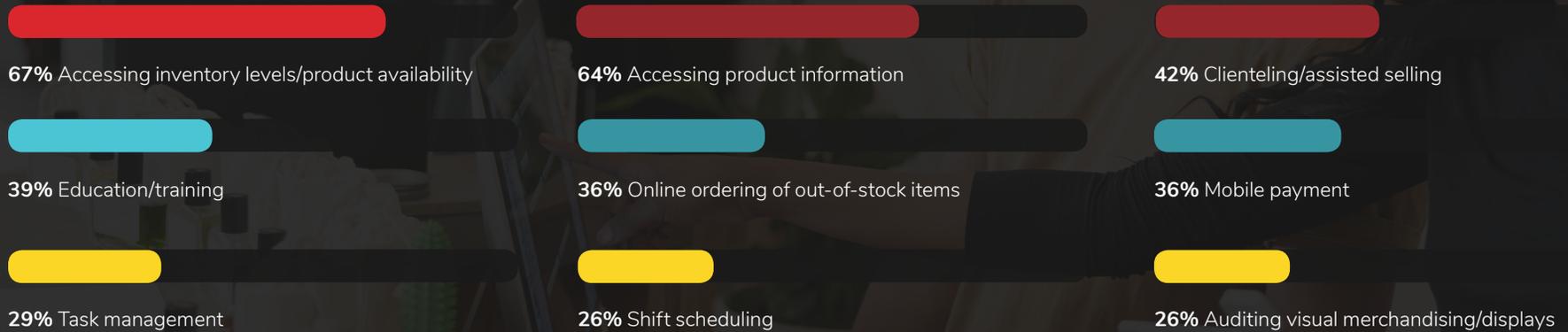
The relationship between mobile usage and customer satisfaction makes sense, since many in-store mobile functions are related to customer-facing interactions: accessing inventory levels/product availability (**67%**); accessing product information (**64%**); and clienteling/assisted selling (**42%**).

Some recent retail examples of mobile deployments include:

- **Vineyard Vines** implemented a mobile-first POS system that allows associates to see current inventory in their stores, as well as other stores and online.
- **Total Wine & More** adopted hands-free mobile communication technology to make in-store communications more efficient; reduce checkout lines by alerting the associate that's closest to the registers when backup is needed; and providing each day's product information to associates on-demand, so that they can access it whenever they start their shift.
- **Century 21** deployed a mobile POS solution at its New York City flagship store, with plans to roll it out to 13 other locations, that allows associates to quickly support pop-ups and deal with long checkout lines during peak hours.

What functions are employees performing using mobile devices?

(Check all that apply)

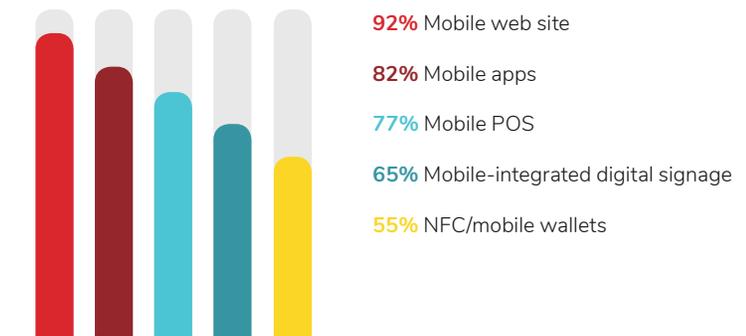


Retailers are still finding additional uses for mobile technology. New use cases identified in this year's survey include shift scheduling and auditing visual merchandising/displays, both at **26%**.

In addition to arming associates with mobile devices, retailers deploy mobile solutions throughout the store, led by mobile web sites (**92%**), mobile apps (**82%**) and mobile POS (**77%**). While the use of NFC-powered mobile wallets declined this year compared to 2017, from **63%** down to **55%**, there was significant usage of mobile-integrated digital signage, at **65%**. This type of technology, which allows associates and customers to interact with in-store displays to get information, post a review or place an order, are part of retailers' efforts to bring the digital experience into the brick-and-mortar environment.

What other mobile technologies do you use in-store?

(Currently use or will within 12 months)





Why Positive Store Experiences Can Create Brand Loyalists

Q&A With Cameron Watt, President & CEO, Intouch Insight

Retail TouchPoints (RTP): How important is the store experience in creating a positive customer experience?

Cameron Watt: The answer to how important the store experience is varies based on the individual nuances of the brand involved and what their brand promise is. The store experience is still paramount for brands with brick-and-mortar locations. While it's true that many customers utilize other touch points such as the company web site or social media to make their decision on what to buy, it's also true that minds are changed and baskets either grow or shrink based on the in-store experience. Store experience in the brick-and-mortar world can even influence a customers' willingness to visit a brand's web site or download their app. Positive in-store experiences can make the difference between someone taking advantage of an item on sale and the creation of a brand loyalist with significantly higher lifetime value. Frontline employees play a critical role in this.

RTP: Have you been able to measure the impact that store staff/associates play in improving the customer experience (or in making it worse)?

Watt: In order to measure the impact that store employees have on the customer's impression of the brand, it's important to look at more than one type of metric. In a perfect world, brands will not only have customer survey data and social media data, but also data from a mystery shop or similar service. Solicited and unsolicited customer feedback is a great way to determine if customers feel brands are living up to their brand promise — or at least what they feel the brand promise ought to be.

To figure out if the employees are doing what they should be doing to help a brand achieve their promise, we need to dig a little deeper. What, in fact, are employees doing, and how does it relate to what they have been asked to do? Customers do not

typically know what the employee has been told to do from a standards point of view, and so while they can weigh in on what they like and don't like, they cannot tell you if the employee is doing their job the way they were instructed.

RTP: If you could change one thing about how retail stores operate, what would it be, and why?

Watt: I would be more open with the employees regarding customer information and expectations and provide them with better tooling at the front lines to ensure customer service excellence. In the past we were reticent to go in this direction at times, due to the cost of scaling something for thousands of employees vs. a few dozen. Today, however, with the power of cloud computing and the prevalence of personal devices, companies can reliably utilize the devices their employees already carry around with them without spending any money on capital.

Store experience in the brick-and-mortar world can even influence a customer's willingness to visit a brand's web site or download their app.

Cameron Watt is an entrepreneur with over 30 years of work experience spanning the real estate, financial services, consumer packaged goods, retail and foodservice industries. Currently, he is Director, President & CEO of Intouch Insight Ltd. Previously, he owned and operated several small businesses and has held management positions at Mars, Unilever, PepsiCo and Yum Brands.

Do you offer the following product ordering and delivery services?



Last Mile Omnichannel Alignment Focuses On BOPIS

Retailers are still struggling with full integration of their brick-and-mortar stores into consumers' omnichannel shopping journeys, especially during the last mile of order fulfillment/delivery. It is true that a significant majority of retailers offer some variation on buy online/pick up in-store (BOPIS) and buy online/return in-store (BORIS).

Additionally, a number of leading mass merchants and supermarkets, including **Walmart, Target, Aldi, Kroger** and **Amazon (via Whole Foods)**, are expanding their store pickup and delivery options for groceries and other frequently purchased items.

However, judging by the labor hours allocated to fulfilling online orders, these cross-channel efforts remain only a small part of store operations. For **42%** of retailers, their associates spend less than 5% of their time at fulfillment-related tasks, with **27%** spending 5% to 10% of their time. Only **14%** allocate more than 15% of associates' labor hours in this area.

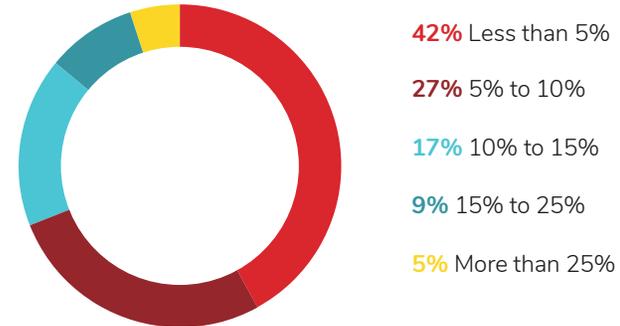
CHANNELS STILL DEFINE STORE PERFORMANCE METRICS

Store performance metrics also are still overwhelmingly siloed by channel: only **7%** of retailers factor online-to-store conversion rates into their store performance measurements. Only slightly more, **13%**, use in-store conversion rates, a basic metric of e-Commerce, in their store-based calculations. The majority of retailers still rely on traditional metrics: year-over-year revenue increases (**70%**) and same-store sales (**65%**).

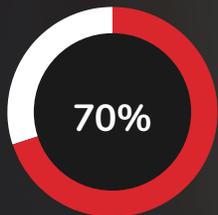
Reliance on outmoded measurements can hamper omnichannel retailers, causing them to misallocate resources and spur harmful competition between their online and store channels. “We need a whole new metric about how we track purchases because the stores are now a component of the sale, just like the mobile solution, the catalog, the web site and the call center,” said Ken Morris, Principal, BRP in an interview with [Retail TouchPoints](#). Morris believes retailers need to “draw a concentric circle around the store, say a 50-mile radius, and for any sale that happens there, the store gets credit. That’s the real metric, the geographic sale.”

Other industry experts identify potential benefits for omnichannel retailers that update their performance metrics. “Same-store sales performance may still have some utility, but ‘same trade area’ performance — which accounts for all sales regardless of purchase channel within the influence area of a store — becomes a far more interesting and useful metric,” wrote Steve Dennis, President, SageBerry Consulting in a [Forbes](#) article. “Critically, it also provides the basis for understanding the drivers of customer segment level performance at a more granular and actionable level.”

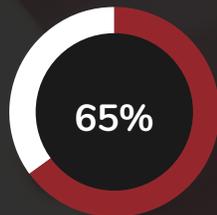
What percentage of associate labor hours are spent handling online order fulfillment?



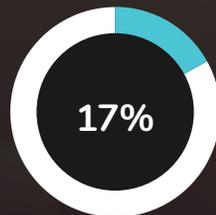
What are your most effective ways to measure store performance?



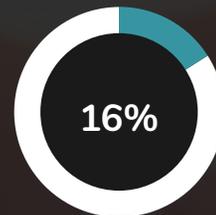
Increase in
YOY store
revenue



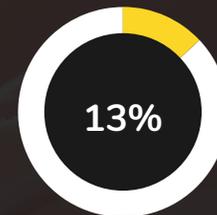
Same-store
sales



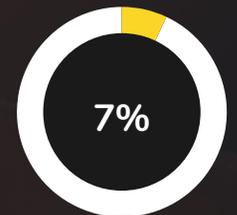
Foot
traffic



Customer
satisfaction
surveys



In-store
conversion
rates



Online-to-store
conversion
rates



Shifting From A Customer-First To Employee-First Mindset

By Jordan Ekers, Chief Customer Officer, Nudge Rewards

Brick-and-mortar continues to play a critical role in today's retail ecosystem. **85%** of retail sales still come through the store, online brands are opening up physical locations, and stores are evolving to become key hubs for fulfillment, returns and pickups. Customers can seamlessly interact with retail brands, whether that means buying direct from social, talking to companies through chat (be it a bot or not), or using gadgets such as tablets or VR in store.

It's clear that retailers have invested heavily into loyalty programs, voice of the customer and new digital technologies in order to improve the customer experience. But these transformations have failed to address one of the most critical touch points in the customer journey: the human interaction between employees and customers in store.

Somehow, while customers have grown to expect more from brands in terms of communication channels, multimedia experiences and new service offerings, employees have been left behind. And yet, research from this report reveals that **52%** of operations leaders have pinpointed employee training and engagement or hiring and retention as their top areas of concern.

BRINGING EMPLOYEE EXPERIENCE INTO THE DIGITAL AGE

Focus on the employee experience has lagged behind, creating a gap between customer expectations and the employee's ability to deliver on those expectations. Retailers are still relying on in-person sessions, PDF documents and print materials as the primary channels to engage with their frontline teams. In an age where consumers can access unlimited information and engage with brands from the convenience of their smartphones, shouldn't employees be able to do the same?

When store employees are empowered with the right tools and resources, the entire company benefits. In fact, operations leaders surveyed for this report stated that when they implemented associate-facing mobile technology, they saw increased customer satisfaction, employee knowledge, upsells and cross-sells, and improved employee morale. It's no wonder that **70%** of survey respondents either have equipped, or are planning to equip, their frontline employees with mobile technology.

So, if the next big transformation in retail is going to be the digitization of the employee experience, imagine the impact of a truly engaged store-level workforce that is empowered with the tools they need to deliver an exceptional customer experience.

Jordan Ekers is a recognized technology entrepreneur who has worked with many of North America's most prominent retail and foodservice brands to help improve the customer experience. With extensive experience in customer loyalty, rewards strategy and mobile technology, he co-founded Nudge Rewards to help brands find a better way to communicate, engage and reward employees for exceptional performance.

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Esri, the global market leader in geographic information systems (GIS), offers the most powerful location intelligence and mapping technology available. Since 1969, Esri has helped retailers unlock the full potential of data to improve operational and business results. Today, Esri software is deployed in more than 350,000 organizations including the world's largest cities, most national governments, 75% of the Fortune 500, and more than 7,000 colleges and universities. Esri engineers the most advanced solutions for digital transformation, IoT, and location analytics to create the maps that run the world.

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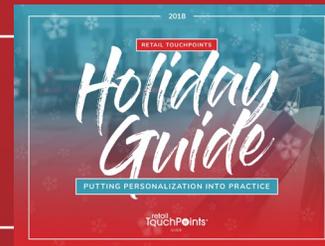


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ABOUT THE AUTHOR

Adam Blair, Executive Editor

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