Is Your Frontline Prepared for the Changing Role of the Store?

Retail innovators are redefining the role of brick-and-mortar stores in the context of their overall business model. The possibilities for stores to enrich the customer experience are endless, limited only by retailers' imagination.

Execution, however, is reliant on empowered store teams. Following in the footsteps of employee empowerment leaders, more retailers must support customer experience initiatives with enabling tools, training and incentives for their frontline workforce, or risk certain failure.

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This Industry Insight is based on findings and analysis from a global retail executive survey.

Avanade and Microsoft commissioned leading digital transformation insights firm Incisiv to conduct a quantitative and qualitative study to determine the value of an empowered frontline workforce in retail. Incisiv surveyed 120+ executives from:

51%
USA

20%
UK

15%
France

14%
Germany

A previously published Industry Insight, "**What Digital Forgot: The Retail Frontline**" explores the impact of an empowered workforce on business value drivers such as productivity, and on key performance metrics (KPIs) such as conversion and customer satisfaction.

Findings are presented along a Leader – Follower – Laggard spectrum.

Incisiv benchmarked the respondents based on the maturity and effectiveness of their frontline workforce empowerment efforts. Only 5% of respondents were assessed as Leaders.

5%	55%	40%

■ Leaders　■ Followers　■ Laggards

This Industry Insight, "**Is Your Frontline Prepared for the Changing Role of the Store?**" explores how retailers' in-store customer experience initiatives rely on an empowered frontline workforce to succeed, and details specific recommendations for retailers to do so.

The role of the store has **changed.**

Stores are no longer just destinations of commerce, but a part of a brand's broader narrative.

Retailers and brands across categories and formats are placing big bets on stores to power their next wave of growth.

- Amazon acquired Whole Foods and launched its cashier-less concept Amazon Go. Walmart acquired Jet.com and Bonobos. Alibaba invested $8 billion on its brick-and-mortar strategy over two years. ALDI earmarked $6 billion towards the renovation and modernization of its stores globally. Carrefour launched a new hypermarket in Warsaw with seamlessly integrated endless aisle and delivery.

- Ecommerce upstarts such as Warby Parker (eyewear), Allbirds (footwear), ModCloth (apparel), Casper (home) as well as consumer brands such as Kellogg's, Oris and Chobani are using stores as flagships, boutiques or pop-ups.

Through initiatives such as click & collect, personalized in-store services, hyper-localized assortments and both new (e.g., pop-up, showroom) and experiential (e.g., flagship) store formats, retailers are increasingly using stores as media and an engagement platform that drives overall business growth. These customer experience initiatives rely on the retail frontline for flawless execution.

As they focus on the overall customer experience, retailers are reconfiguring their brick-and-mortar strategy to:

- **Curate** deeper relationships with shoppers
- **Fulfill** shopper demand profitably, anytime-anywhere
- **Differentiate** through services and experiences
- **Express** their brand

However, flawed execution leads to friction in the customer experience.

There is growing evidence that retailers have not adequately enabled and empowered their frontline workforce with incentives, tools and training.

Over 80% of shoppers have abandoned an in-store trip or cart in the past year due to poor customer experience[1], costing the industry $1.6 trillion in customer switching costs[2].

Even digital leaders such as Starbucks can stumble when adding new digital customer experiences in-store. Its mobile order-ahead experience initially led to frustrating wait-times at pick-up for shoppers and higher labor cost for Starbucks. The reasons: inadequate training for store staff, no designated order pick-up area and no way to optimize kitchen operations from a spike in orders.

To help retailers overcome similar challenges, this Industry Insight illustrates:

• How retailers' key customer experience investments impact the retail frontline
• The industry's maturity in terms of enabling the frontline with tools, training and incentives
• What retailers must do to better enable the frontline

Insights are presented along the four dimensions of the role of the store identified previously: Curate, Fulfill, Differentiate and Express. A page dedicated to each dimension contains three important elements:

Statements marked with this icon represent **what the respondents were asked about** in the survey.

Leaders	100%
Followers	58%
Laggards	29%
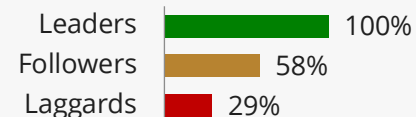
Each statement is accompanied by data on **how responses varied** by retailers' level of maturity.

Recommendations for retailers

This box contains **specific recommendations** for retailers, especially Laggards and Followers.

#1 **Curate** deeper relationships with shoppers**.**

Retail foot traffic is down 75% compared to 2014[3]. Sixty-five percent of those shoppers research online before visiting a store[4]. There are fewer shoppers in stores and the nature of their store visits has changed dramatically. To grow, retailers need to increase in-store conversion and increase average order value (basket size).

Retailers are focusing on enriching in-store experience with the broader context of shoppers' digital journey, driving more effective promotions through personalization, and offering shoppers assisted or guided selling through recommendations. Store associates need to be able to easily identify frequent or high-value shoppers, spend more customer-facing time, and become category or product experts who offer shoppers more empathetic insight than that available online.

Operational tasks on mobile

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Leaders	100%
Followers	58%
Laggards	29%
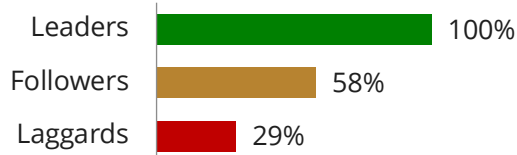
Leaders in frontline workforce enablement ensure their store associates are able to perform backroom tasks on mobile devices.

Single view of shopper profile

Leaders	38%
Followers	19%
Laggards	11%
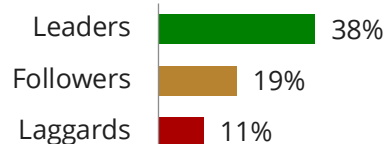
Less than half (38%) of Leaders offer a single view of a shopper's profile (including their preferences, past orders and online cart) to their frontline associates.

Effective selling tools

Leaders	33%
Followers	15%
Laggards	11%
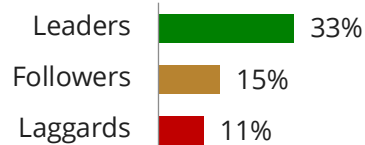
Further, only one in three Leaders equip their frontline workforce with effective insights and empowerment to make product and promotions recommendations.

Retailers that are unable to arm store teams with the ability to better address shoppers' stated and unstated needs will observe:

- Lower in-store conversion
- Higher trip abandonment
- Lower upsell or "attachment" rates
- Lower basket size

**Recommendations for retailers:**

- Connect key customer data quickly through APIs for important use-cases
- Build a customer master database
- Prioritize arming store teams with shopper information such as order history, wish lists and online cart
- Mix science (analytics) and art (merchants) to curate "look-books" to drive in-store recommendations
- Reward store teams on cross-channel sales

Figures in charts represent the percentage of respondents in the benchmark category (Leaders, Followers, Laggards) that display the corresponding characteristic

#2 **Fulfill** shopper demand. Anytime, anywhere.

A $1 billion retailer loses $40 million to $75 million annually due to out-of-stock[5]. Three in four shoppers want store associates to find out-of-stock items for them, but an equal number of store associates are unable to[6]. Retailers have a big opportunity to impact their topline by letting store teams use system-wide inventory to fulfill in-store demand more effectively.

Retailers are focusing on more profitable methods of online order fulfillment such as buy-online pick-up in-store (BOPIS), ship-from-store and local delivery, and offering a wider virtual assortment in-store through endless aisle. They are also offering greater visibility of local item availability by exposing store inventory to shoppers and external partners.

Accurate in-store inventory

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Leaders	19%
Followers	7%
Laggards	2%
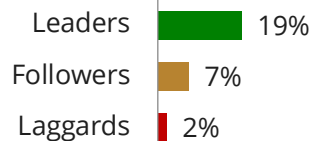
Store teams need accurate in-store inventory to avoid costly out-of-stock scenarios as well as reduce shopper frustration when BOPIS orders are found to contain items that are no longer available for pick-up.

Access to enterprise-wide inventory

Leaders	51%
Followers	24%
Laggards	6%
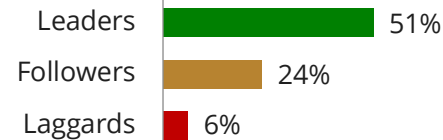
Retailers' lack of accurate in-store inventory is further compounded by an inability to access inventory elsewhere in the supply chain to fulfill items that are out-of-stock in-store.

Ability to manage schedules on the fly

Leaders	100%
Followers	49%
Laggards	21%
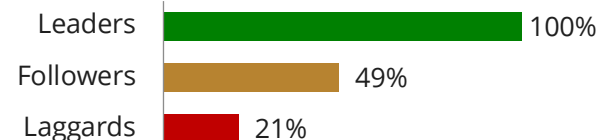
Store managers need greater flexibility in how they manage schedules to address greater volume (e.g., more mobile checkouts), variety (e.g., picking online orders) and velocity of tasks (e.g., more frequent inventory scans).

Retailers that are unable to arm store teams with the tools to fulfill orders profitably will observe:

- Lost sales
- Lower omnichannel order profitability
- Higher labor cost

Recommendations for retailers:

- Consider RFID to improve inventory accuracy
- Improve cycle count compliance
- Move to unified, channel-agnostic inventory, and evaluate endless aisle
- Train and incentivize associates to up-sell and save-the-sale
- Arm managers with tools to better manage increasingly complex labor schedules cost-effectively

Figures in charts represent the percentage of respondents in the benchmark category (Leaders, Followers, Laggards) that display the corresponding characteristic

#3 Differentiate through services and experiences.

Shoppers want the richness of digital from in-store experiences. Eighty percent of shoppers have abandoned a transaction because of poor service experience[7]. An existing customer is twelve to fifteen times more likely than a new customer to make a purchase[8], and acquiring a new customer costs six to seven times more than retaining an existing customer[9].

Retailers are focusing on making stores hubs of omnichannel service (e.g., free online returns) and offering value-added services (e.g., free customization, one-on-one appointments and expert access).

Recalibrated store team incentives

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Leaders	75%
Followers	39%
Laggards	12%
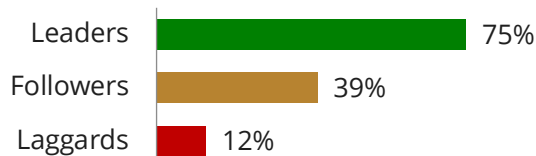
Store teams have traditionally been focused on managing cost of operations (with sales a secondary focus). Retailers must reconsider how they assess and reward employees as part of asking them to focus on customer experience. Leaders are six times more likely to have realigned store team incentives compared to Laggards.

Comprehensive frontline mobility

Leaders	100%
Followers	31%
Laggards	18%
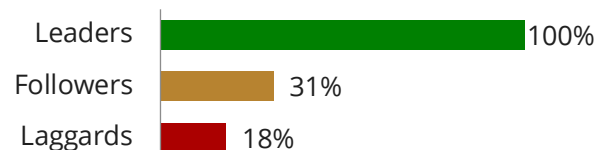
Leaders enable their frontline with all business applications (ERP, CRM, Workforce Management, etc.) available on mobile devices.

Mandatory training for store initiatives

Leaders	33%
Followers	15%
Laggards	11%
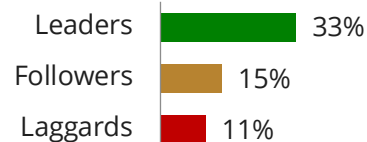
Store teams need flexible, on-demand specialized skills training to support some of retailers' planned store initiatives. Yet, few retailers include training as an integral part of new store initiatives.

Retailers that don't enable store teams with realigned incentives, mobility and training will observe:

- Lower customer satisfaction
- Lower percentage of store visits for online returns converted to sales
- Lower store-influenced online sales

Recommendations for retailers:

- Unified communications to bring experts into the store from anywhere
- Mobile enable and unify the interface for enterprise apps store teams use
- Unified ID management and single sign-on to quickly on-board new employees
- Incentivize and train associates who deliver value-added services effectively
- On-demand training and document sharing to drive self-learning

Figures in charts represent the percentage of respondents in the benchmark category (Leaders, Followers, Laggards) that display the corresponding characteristic

#4 Express your brand.

And allow shoppers to express theirs. With social media fueling self-expression, shoppers are attracted to brands that reflect their values – such as artisanal, local, fresh and responsible. From Nike to Sonos, retailers are rethinking how stores become storytellers of their brand.

At Everlane NYC, shoppers can listen to an audio experience with information about the factory that produces their t-shirts. The success of retailers such as Farfetch (preparing for a $5 billion IPO), M.Gemi (direct-to-consumer custom Italian footwear) and even Nordstrom (with their inventory-less "Local Shops") underscores the value of retailers reallocating more store space to brand storytelling.

Retailers are experimenting with new store formats such as those that carry no inventory (e.g., Zara's London pop-up) or those that feature unique spaces to try products in (e.g., Eddie Bauer's Ice Box for outerwear). They are redesigning existing stores, launching flagship store experiences and pop-up stores. They are focused on next-gen merchandising through hyper-local assortments and exclusive product partnerships.

(?) Allocate tasks based on priority

Leaders	33%
Followers	17%
Laggards	3%
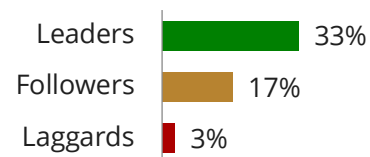
As store teams do more – from frequent planogram resets to store layout changes – they must work smarter by focusing on things that matter most.

(?) Excellent collaboration tools

Leaders	50%
Followers	21%
Laggards	11%
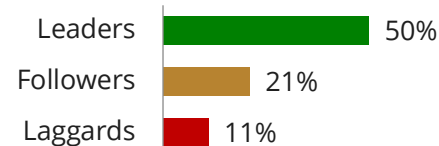
They also need the ability to collaborate more effectively with corporate, as well as access best practices across the store network.

Retailers that don't arm store teams with the tools that help them be "on-brand" will observe:

- Lower Net Promoter Score
- Higher labor cost

Recommendations for retailers:

- Dynamic task management to ensure store teams focus on tasks that matter most in a certain context, never letting the brand or experience suffer
- Cloud-based collaboration and productivity suite to enable store and corporate teams to work better together
- Tools for store teams to manage local social media presence while mitigating corporate brand risk

Figures in charts represent the percentage of respondents in the benchmark category (Leaders, Followers, Laggards) that display the corresponding characteristic

Leading retail innovators are reimagining their brick-and-mortar stores in the age of digital-first customer experience. As other retailers follow suit, they should emulate leaders in more than just intent. They must empower store teams with the right tools, training and incentives to better manage the operational complexity that accompanies such initiatives.

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