POINT OF VIEW

WHAT DIGITAL FORGOT:
THE RETAIL FRONTLINE

The average retailer is shy about investing in technology and training for its frontline workforce. Beyond the obvious implications this has on customer experience, the cost, productivity and conversion improvements that an enabled frontline offers should be equally as hard for retailers to ignore.

Findings & analysis from a survey of retailers' investments in enabling their frontline workforce in the US, UK, France and Germany.

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WHY WE CONDUCTED THIS RESEARCH.

The rapid march in technology combined with a natural generational shift has resulted in a retail workforce that is highly adept technologically.

- **Generations X (18%), Y (40%) and Z (21%) make up 79% of the retail workforce[1]**. While individual characteristics vary, these generations are highly technologically adept. Gen Y and Z specifically drive the adoption of consumer technology products and services, and expect a similar cutting edge experience from enterprise technology.
- **Technology is an important factor for 82% of workers below 34 years of age[2]** in determining whether or not they want the job. As retailers compete with newer digital upstarts for the same talent, the technology experience they offer employees becomes ever more important.

However, retailers struggle with high turnover, and are unable to engage and enable their frontline workforce to deliver on the promise of a great customer experience.

- **The average turnover** for part-time retail workers is **67%[3]**.
- **85%** of the workforce is "not engaged" or **"actively disengaged" at work[4]**.
- **77% of store associates** are unable to fulfill in-store orders that are out-of-stock[5].

A great customer experience enhanced by the right culture, technology and training for the frontline workforce has been shown to have a significant business impact.

- From 1997 to 2014, companies considered **employee experience leaders outperformed the broader stock market[6]**, generating an annualized return nearly double the SAP 500 index.
- Those in the top quartile of engagement realize **10% higher customer metrics**, 17% higher productivity, 20% higher sales and 21% higher profitability[7].

WHAT WE HOPED TO LEARN.

INDUSTRY MATURITY

What is the level of maturity of retail organizations in enabling a modern retail workforce globally?

PRIORITIES

What are the primary drivers of investments in modernizing the retail workforce?

CHALLENGES AND ROADBLOCKS

What's holding retailers back from more aggressively investing in modernizing the retail workforce?

BUSINESS IMPACT

What is the business case for investing in modernizing the retail workforce?

LESSONS FROM LEADERS

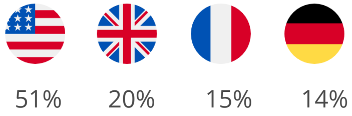
What can retailers learn from their peers who have set the benchmark for employee empowerment and experience?

Look for this icon throughout this document to find observations and insights from our analysis of what makes Leaders outperform their peer-group.

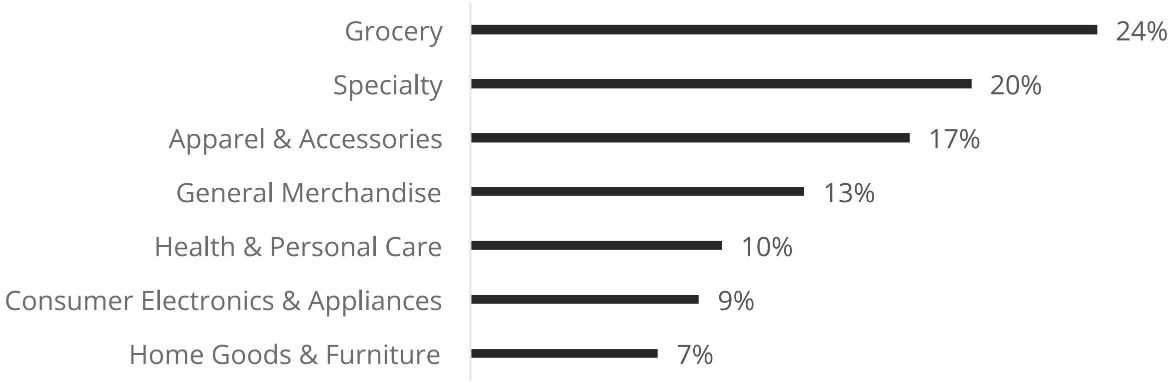
RESEARCH DEMOGRAPHICS.

A ROBUST SURVEY OF QUALIFIED RETAIL EXECUTIVES IN USA AND EUROPE.

Incisiv conducted a quantitative and qualitative survey of **123 retail executives** in the United States, United Kingdom, France and Germany.



Respondents spanned **multiple retail verticals.**



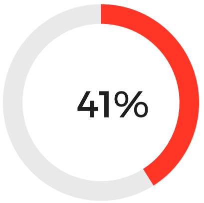
INDUSTRY MATURITY

RETAILERS EFFECTIVELY ARMING THEIR FRONTLINE WITH TOOLS FOR A MODERN WORKFORCE ARE THE EXCEPTION, NOT THE RULE.

Incisiv developed a framework to analyze respondents' self-assessment, earnings data, leadership structure, competitive industry position and survey responses to benchmark where they stand in terms of enabling and empowering their frontline workforce.

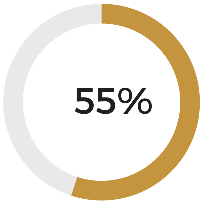
When it comes to empowering their frontline workforce with modern tools and training to deliver an excellent employee experience, **9 in 10 retailers can be classified as Laggards or Followers.**

Frontline Workforce Enablement Industry Benchmark:



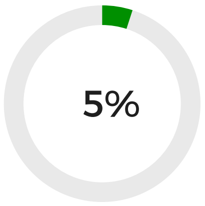
LAGGARDS

Grossly underinvest in frontline technology, have **high cultural resistance** to change, and **financially underperform** the group over a 5 year period.



FOLLOWERS

Underinvest in frontline technology compared to Leaders, are challenged by an **inability to quantify ROI** on proposed investments, and **lack leadership commitment** to employee experience.



LEADERS

Outspend Followers by 22%, focus their investments on **employee mobility and insights delivery**, and have **top-down commitment** to an excellent employee experience.

INDUSTRY MATURITY

THE IMPACT OF NOT ENABLING THE FRONTLINE WITH TOOLS AND TRAINING IS MOST SEVERELY FELT IN 3 KEY AREAS:

COLLABORATION & PRODUCTIVITY

Leaders are **60% more likely than Laggards to provide collaboration and productivity tools** to their frontline workforce, and **40% more likely to be satisfied with their solutions**.

CUSTOMER EXPERIENCE

Leaders demonstrate a greater focus on enabling store associates and store managers through **mobility and analytics**.

TURNOVER & RETENTION

Leaders report a 26% improvement in employee retention through investments in technology and training.

A retailer with $1B in annual revenue loses

~ $110M annually

by not enabling its frontline with modern workforce tools and training.

For details, see “Business Impact” in this point of view.

INDUSTRY MATURITY

ENABLING THE FRONTLINE WITH MOBILITY AND ANALYTICS ARE THE GREATEST GAP AREAS BETWEEN LAGGARDS AND LEADERS

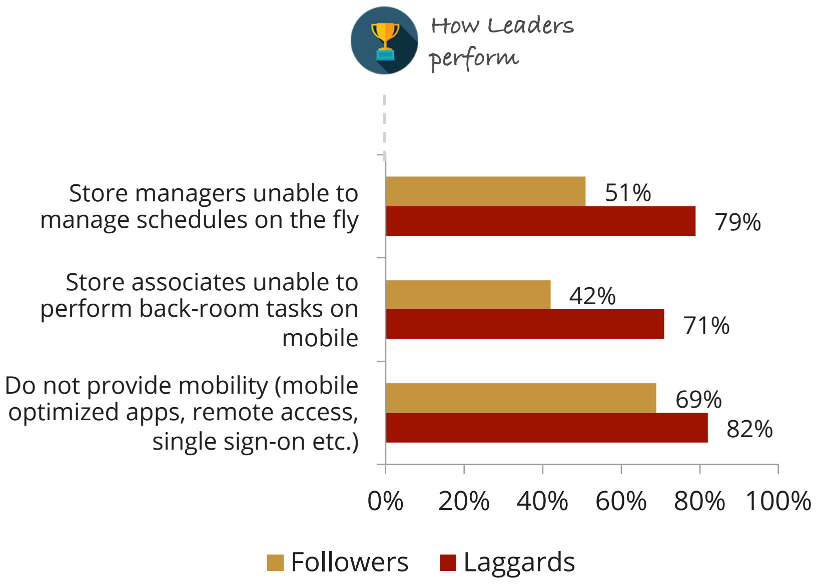
MOBILITY

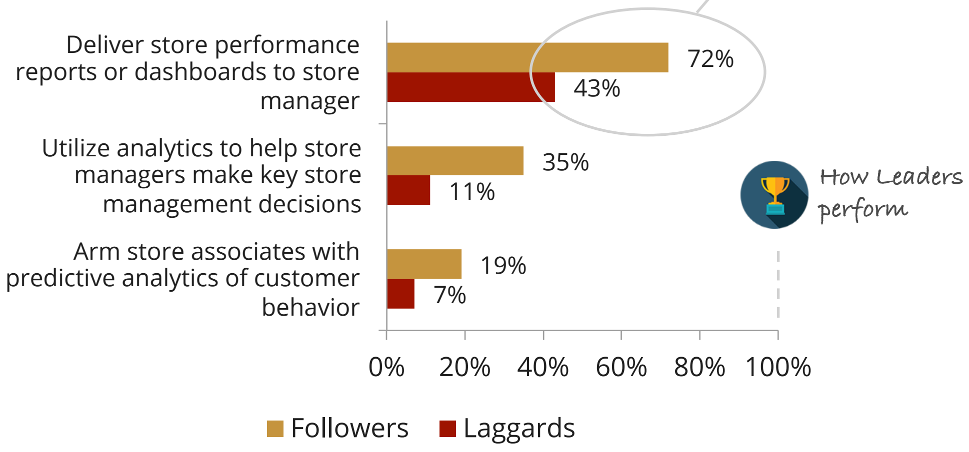
Leaders enable their frontline, especially store associates and managers, by allowing them to handle key tasks on mobile. Leaders also report a higher satisfaction with their current mobility related technologies.

ANALYTICS

While Followers and Laggards come closer to Leaders on providing basic reporting to store managers, they are unable to match Leaders' ability to make that insight actionable.

How Laggards and Followers compare to Leaders in frontline mobility and analytics.





PRIORITIES

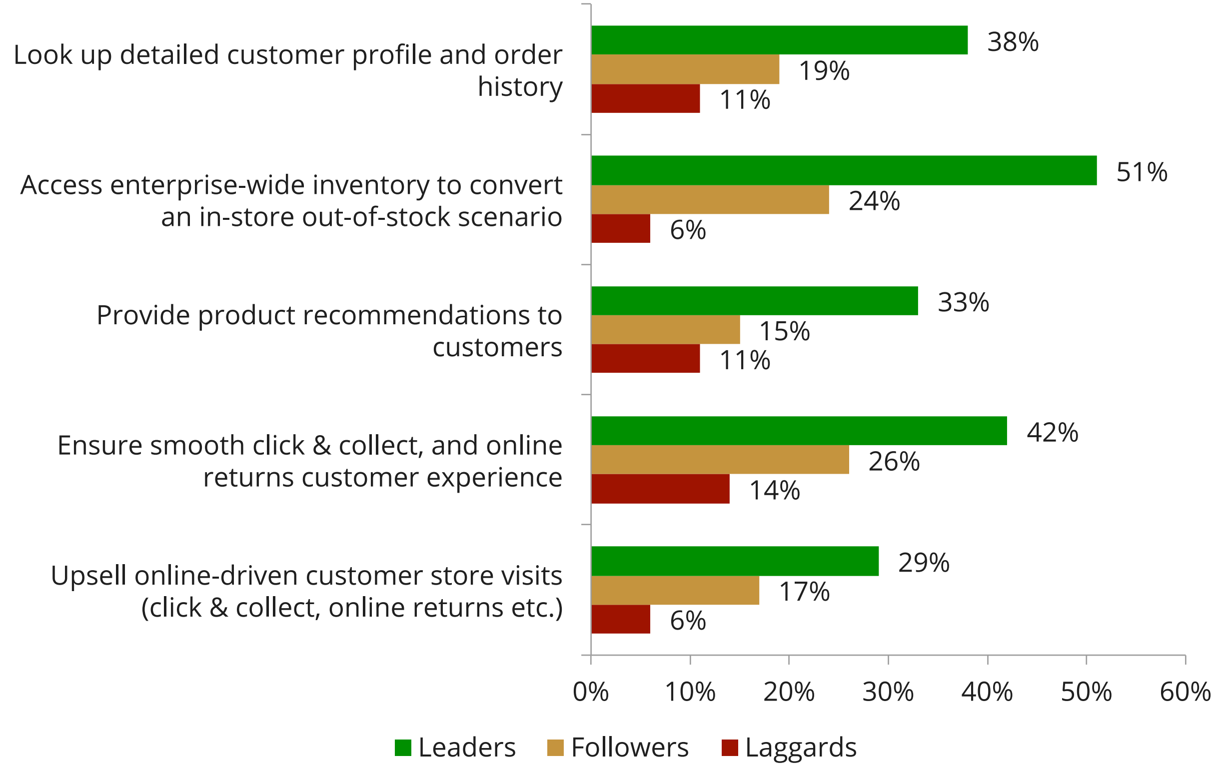
FOR RETAILERS LOOKING TO INVEST IN FRONTLINE EMPLOYEE EXPERIENCE, TWO CLEAR PRIORITIES EMERGE. (1 of 2)

ELEVATE CUSTOMER EXPERIENCE

A unanimous #1 priority across all markets, formats and benchmark segments. Retailers of all stripes understand that an amazing customer experience goes hand in hand with an engaged and empowered frontline workforce.

Leaders support this intent by prioritizing customer experience use-cases and being better at supporting the frontline with tools and training that help them **work smarter, sell more and serve better**.

% of Leaders, Followers and Laggards who are "very effective" at supporting their frontline for the following key customer experience use-cases:



PRIORITIES

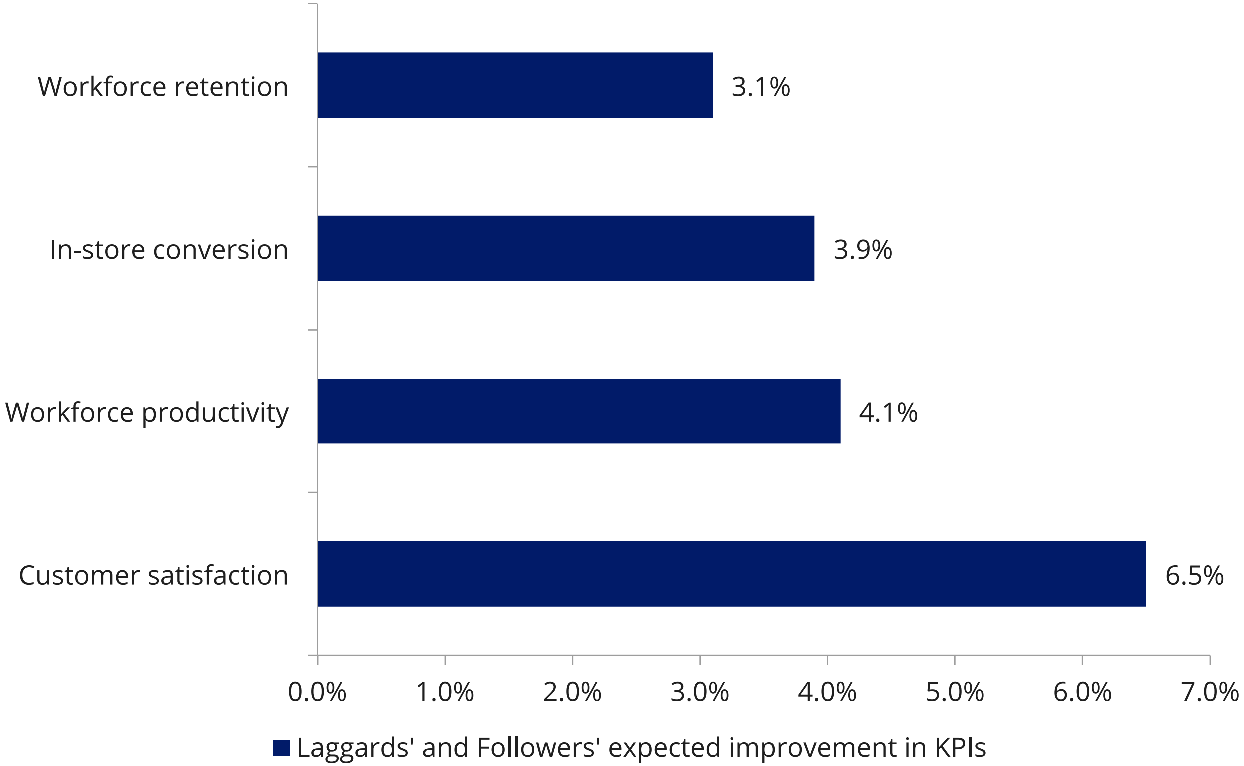
FOR RETAILERS LOOKING TO INVEST IN FRONTLINE EMPLOYEE EXPERIENCE, TWO CLEAR PRIORITIES EMERGE. (2 of 2)

IMPROVE COMPETITIVENESS

Retailers believe investments in a modern retail workforce will help them **improve competitiveness** by being able to attract the best talent, reduce turnover and increase productivity.

For Leaders – already ahead of the pack – improving competitiveness isn't a top-two priority. Instead, they are now focusing on reducing the cost of distributed operations by **investing heavily in collaboration, automation and predictive analytics.**

Expected improvement across a set of key metrics through investments in frontline employee experience (Laggards and Followers only).



INVESTMENTS IN ARMING THE FRONTLINE WITH MODERN TOOLS AND TRAINING ARE HELD BACK BY RETAILERS' INABILITY TO QUANTIFY ROI AND ORGANIZATIONAL RESISTANCE TO CHANGE.

INABILITY TO QUANTIFY RETURN ON INVESTMENT

Even given a clear sense of expected improvements, Laggards and Followers struggle to quantify return on investing related to enabling and empowering their frontline workforce.

CULTURAL RESISTANCE TO CHANGE

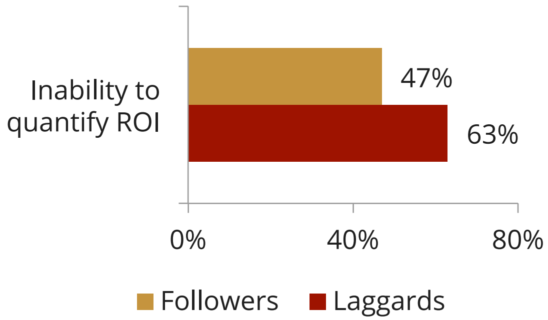
Cultural resistance to change is a greater issue for Followers, and an even greater one for Leaders (their #1 challenge). Experiencing organizational drag is an indicator of moving in the right direction.

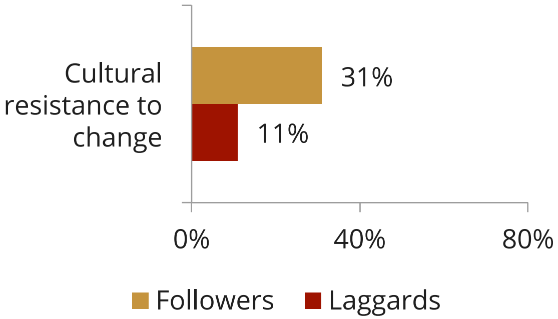
LACK OF SUFFICIENT IT BUDGET

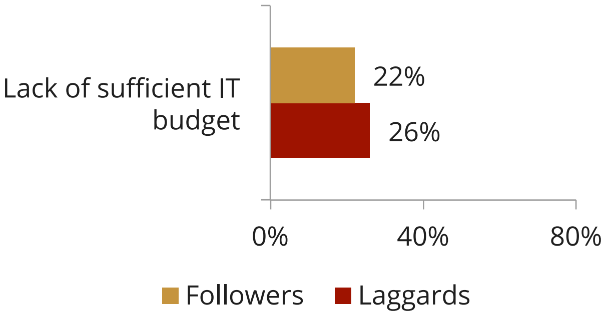
A perennial challenge for most companies, this goes hand in hand with the inability to quantify ROI.

Importantly, this is not a top-three challenge for Leaders, who are more concerned about operational risk of scaling their frontline transformation initiatives.

Top factors preventing Laggards and Followers from investing in modern tools and training for their frontline workforce. % in the chart below indicate the number of respondents who selected that option as their #1 challenge.







BUSINESS IMPACT

A retailer with $1B in annual revenue stands to gain **~ $110M annually** by becoming a leader in frontline employee experience.

SALES IMPACT

Leaders KPI Improvements*

- Customer facing time (9%)
- In-store conversion (16%)
- Customer satisfaction (12%)

These improvements amount to a composite positive revenue impact of 10% annually.

Potential revenue gain annually:

$100M

PROFIT IMPACT

Leaders KPI Improvements*

- Workforce productivity (9%)
- Workforce retention (26%)

Assuming an average profitability of 5%, and $25,000 cost per employee turnover (hiring, training, productivity loss), we estimate a composite positive impact of 10% on overall profitability.

Potential margin improvement annually:

$10M

* Leaders' KPI improvement metrics from the survey results

IN SUMMARY

RETAILERS RECOGNIZE THE NEED TO EMPOWER THEIR FRONTLINE WORKFORCE….

Retailers clearly associate an excellent employee experience with the ability to deliver a **great customer experience**, and as one of their key priorities for **improving competitiveness**.

…BUT, 9 IN 10 LAG LEADERS, ESPECIALLY IN FRONTLINE MOBILITY AND ANALYTICS.

The average retailer isn't doing enough to support, enable and empower its frontline workforce, and therefore struggles with retention, productivity and customer experience.

THEY ARE HELD BACK BY TECH AND CULTURE DEBT, AND AN INABILITY TO QUANTIFY ROI.

Laggards and Followers are **cramped by "organizational will"** – a combination of their culture, a lack of adequate technology investment, and inadequate allocation of those funds towards tools for the frontline workforce.

RETAILERS LEAVE ~$110M ON THE TABLE, ANNUALLY.

Analyzing the value Leaders derive through improvements across key performance measures such as conversion, productivity and retention, Incisiv estimates **it costs a retailer* positioned in the Laggard category $110M per year in lost revenue or profitability**.

* Assumed annual revenue of $1B

AND, THE OMNICHANNEL CUSTOMER EXPERIENCE PROMISE STANDS BROKEN.

While this Point of View illustrated the industry maturity and financial case for a modern retail workforce, the next in the series will explore how the lack of arming the frontline workforce with the right tools and training **impedes the delivery of a great customer experience**.

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5 | Profitable Fulfillment Remains Retail's Elusive Holy Grail, Incisiv

6 | Digital Business Requires an Excellent Associate Experience to Drive Retailer Success, Gartner

7 | Gallup database