

# THE FUTURE OF RETAIL

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Emerging Retail Industry Trends & HR Best Practices

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# INTRODUCTION

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IT'S NO LONGER A SURPRISE when you open the Sunday paper to read that a major American retailer is closing stores or filing for bankruptcy, a la Macy's, Payless Shoe, and Kmart. With popular online retailers like Amazon devouring traditional retailers, many are left wondering whether brick-and-mortar retail will have a future at all.

There is hope for the traditional retail practitioners, but only if they are able to adapt to the changing landscape. The critical piece in this prescription for success? **Engaged and empowered employees.**

**"I DON'T THINK RETAIL IS DEAD.  
MEDIocre RETAIL EXPERIENCES ARE DEAD."**

Neil Blumenthal, CEO of Warby Parker

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# WHAT'S COMING?

## FOUR TRENDS THAT FORWARD-THINKING RETAILERS NEED TO EMBRACE

So much for *Miracle on 34th Street*, states a recent article<sup>1</sup> announcing the closure of 63 Macy's locations. In January of 2017, Macy's reported it would be closing 100 of its 730 namesake stores over the course of the next few years. This also means the termination of about 10,000 employees at the closing locations.

Macy's is not the only enterprise retail store that recently announced it would be cutting back on brick-and-mortar locations. While many have raised their eyebrows at the sheer mass of retail-chain closures, it won't come as a surprise to investors, who saw the success of online retail stores like Amazon virtually bankrupt Borders, Tower Records, and Circuit City.

As stocks for large retail companies plummet, business strategists find themselves wondering: could this be the death of retail as we know it? What should the retail stores of old be expecting in the coming years?



## A NEED FOR AUTHENTICITY

In the age of Photoshop and Instagram filters, consumers crave the authentic. Today's consumers are considerably brand agnostic, unless they've found a retailer with a real, compelling story. Brands like Warby Parker, Patagonia, and LEGO have excelled at telling their stories, giving customers a reason to care, and providing avenues for customer-brand connection. Brands who focus on authenticity likewise build credibility in the minds of their customers.

## A PREFERENCE FOR EXPERIENCE

As younger generations enter the workforce, retailers see those paychecks spent on experiences rather than products. Of course, people still need products, and successful retailers will be able to turn the shopping trip into an experience itself; Costco, Ikea, and Whole Foods are masters of this tactic. Retailers must excel in more than product alone: they must have excellent customer service, an enjoyable buying experience, and an interactive presence outside of the store.

## A NORMALIZING OF SMALLER INVENTORY

While retailers struggle to find a balance between inventory supply and demand, consumers are rapidly evolving to prefer online inventory at their fingertips. Retailers who don't adapt to this will continue to fight overstocking and/or understocking. While over-stocking retail shelves can lead to profit loss, under-stocking can create loss in potential sales. Consumers, meanwhile, will search for products via online databases, using intuitive interfaces to select, colors, sizes, and customizations with a few simple clicks.

## A REINVENTION OF BRICK AND MORTAR

Though many retailers are closing brick and mortar locations, select companies are choosing to open physical stores, albeit in radically different formats, such as guideshops and showrooms. The showroom trend has existed for some time, though admittedly not by design: consumers venture to their local Target, Sears, or Home Depot to survey products. They experiment with washing machine settings, try on clothes, then take out their smartphone, laptop, or tablet to order the product online. Warby Parker, Sephora, and Bonobos have leaned into this trend, creating stores solely for visiting customers to try out products to be ordered online.



# WHAT CAN RETAILERS DO?

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## 4 HR ACTIONS TO ARM YOUR ORGANIZATION FOR RETAIL CHANGE

While retailers can't dictate consumer trends, they do need to steel other areas of their companies in order to protect themselves from the changes ahead: this means engaging and retaining high-performing employees.



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## 1. PAY EMPLOYEES WELL

In 2015, Walmart made the announcement that they would increase wages for more than 500,000 employees, increase job training, and offer clear advancement opportunities. As a company that had traditionally treated employee wages as a cost to be minimized, the enormous investment in employee satisfaction had investors and fellow retailers alike questioning the decision.

Walmart is not the only company investing in employee satisfaction through wage increases. Target raised employee minimum wages to \$10 an hour, and T.J. Maxx has followed suit. Both companies hope that the increase in wages will help them attract and retain the best talent, improve the customer shopping experience, and remain competitive with wages.<sup>2</sup>



**ACROSS ALL INDUSTRIES SURVEYED, RETAIL EMPLOYEES RANKED IN THE BOTTOM HALF OF EMPLOYEES WHO FELT FAIRLY PAID.**

## 2. ACTIVELY PURSUE EMPLOYEE ENGAGEMENT

Quantum Workplace's [Employee Engagement Trends Report](#) found that only 65.1% of retail employees are engaged, below the 66.0% national average and down 1.2% from last year — bad news for any retailers trying to keep their companies in the black. Organizations with engaged employees have, on average, 24% lower turnover, a 20% increase in sales, 10% higher customer metrics, and 28% less shrinkage.<sup>3</sup>

### RETAIL EMPLOYEES ALSO SAW THE FOLLOWING ITEM DECREASES:



A lack of professional development opportunities and poor team dynamics is contributing to a turnover rate that is up to 60% in some retail departments. HR teams would do well to address these decreases.

## TOP DRIVERS OF EMPLOYEE ENGAGEMENT IN RETAIL WORKERS

In addition to addressing items on the decline, leaders should focus on the major drivers of employee engagement in retail workers. These are the items found to have the highest correlation with engagement in retail organizations:

- 1 IF I CONTRIBUTE TO THE ORGANIZATION'S SUCCESS, I KNOW I WILL BE RECOGNIZED.**
- 2 MY JOB ALLOWS ME TO UTILIZE MY STRENGTHS.**
- 3 I SEE PROFESSIONAL GROWTH AND CAREER DEVELOPMENT OPPORTUNITIES FOR MYSELF IN THIS ORGANIZATION.**
- 4 I TRUST OUR SENIOR LEADERS TO LEAD THE COMPANY TO FUTURE SUCCESS.**
- 5 THE SENIOR LEADERS OF THE ORGANIZATION VALUE PEOPLE AS THEIR MOST IMPORTANT RESOURCE.**



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### 3. FOCUS ON PERFORMANCE CONVERSATIONS

The era of the annual review is quickly ending, and many employees prefer to receive continuous feedback from management and fellow employees.

Annual performance reviews inhibit employees' continuous improvement, if managers only give them feedback once per year. More frequent performance conversations (monthly one-on-ones are best practice) allow less-than-ideal performance to be dealt with quickly — and before a habit is formed.

Continuous feedback also allows managers to regularly recognize positive outcomes and increase employee engagement. Managers should aim to have conversation-based, one-on-one meetings with employees to better understand their individual goals, challenges, and progress. One-on-ones are opportunities for upper management to recognize and reward outstanding service, sales, or performance.



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## 4. PRIORITIZE EMPLOYEE LIFESTYLE

HR departments are constantly addressing misconceptions about retail scheduling. Outsiders and potential job candidates may believe they are required to work long hours at low-pay without full-time benefits.<sup>4</sup>

Retail companies are moving to flexible, regular schedules in an effort to recruit and energize talent. Cloud-based rostering, for example, allows managers to ensure they have the correct balance of specialty employees, cashiers, managers, etc., scheduled at any given time. By offering predictable schedules to hourly workers, along with higher wages, organizations can effectively reduce turnover and increase sales.



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# QUANTUM WORKPLACE

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Reward employees with something more valuable than cash: real-time applause from peers and coworkers



A simpler way to align, document, and measure employee objectives and key results



Empower employees with the feedback they need to grow



Coach employees with more organized, effective one-on-ones



Gather some of your most valuable insights and critiques, from folks who won't be shy about sharing

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## SOURCES

<sup>1</sup> <http://fortune.com/2017/01/04/macys-holiday-season-closings/>

<sup>2</sup> <http://fortune.com/2015/02/25/tj-maxx-raises-wages-following-wal-marts-lead/>

<sup>3</sup> <http://www.gallup.com/reports/199961/state-american-workplace-report-2017.aspx>

<sup>4</sup> <http://smallbusiness.chron.com/hr-challenges-retail-sector-43858.html>

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