DISCOVER. SHARE. EVALUATE.

EKN SM

The changing role of the store: Is your workforce ready?

INTRODUCTION: STORES WILL LOOK DIFFERENT IN 2020 – SO WILL THE WORKFORCE

Retailers across segments (department stores, luxury, general merchandise and others) are either implementing or contemplating rapid store transformation measures to avoid the risk of store closures due to modest or negative same-store sales trends that they are experiencing today. These companies find themselves in a tough spot due to additional challenges such as high customer service and store experience friction, Amazon's category-killing growth and the exponential growth experienced by digital channels.
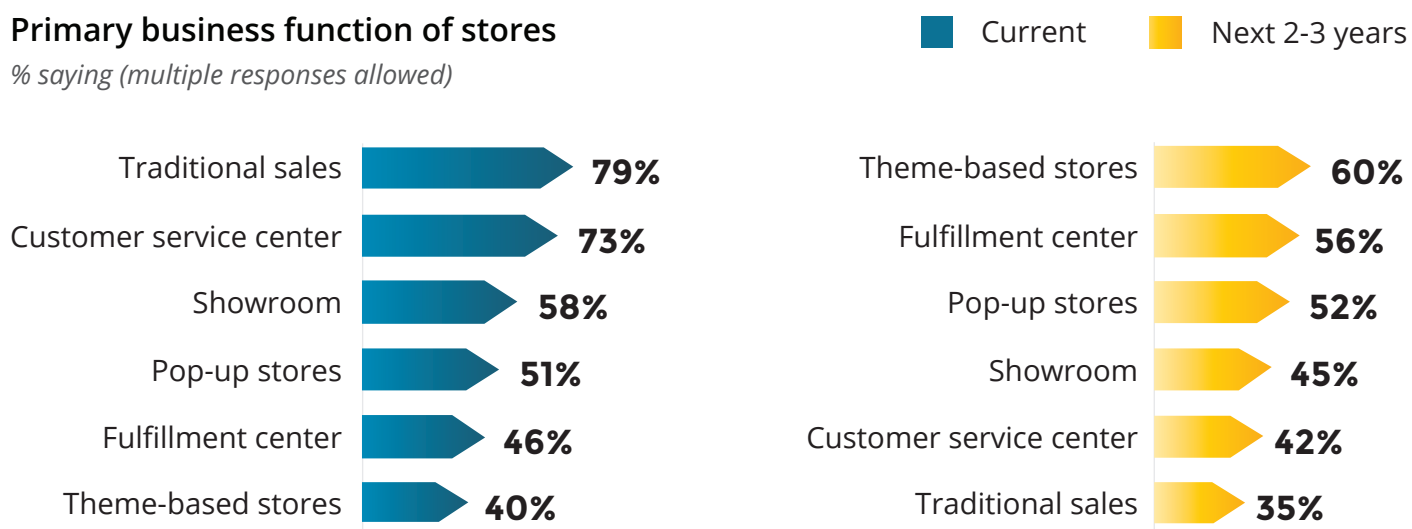
These factors are expected to have a significant impact on stores over the coming few years. The latest global research from EKN Research and Avanade shows that stores are likely to fulfill very different roles in 2020 and beyond, as retailers expect new, distinct store formats to take hold. These significant shifts will require the store workforce to change as well. Yet retailers appear to be behind in getting their workforce ready for what lies ahead.

So, what are the business decisions, capabilities and enabling technologies that can help retailers transform their workforce to turn their 2020 vision into reality? To answer that question, EKN Research surveyed 161 retail executives across the U.S., Europe and Asia Pacific in a wide range of segments, including apparel, grocery, home goods and more.

THE CHANGING ROLE OF STORES

Primary business function of stores
% saying (multiple responses allowed)

Current   **Next 2-3 years**

Current	
Traditional sales	79%
Customer service center	73%
Showroom	58%
Pop-up stores	51%
Fulfillment center	46%
Theme-based stores	40%

Next 2-3 years	
Theme-based stores	60%
Fulfillment center	56%
Pop-up stores	52%
Showroom	45%
Customer service center	42%
Traditional sales	35%

For more than half of the retailers surveyed in our study, the traditional sales role of stores is expected to shift significantly by 2020. This means that among other changes, the execution role played by the store workforce must similarly evolve to support the new formats.

The traditional sales role refers to a standard in-store customer shopping experience: finding a product, making a selection and an in-store check-out experience. In several such scenarios, there is little, if any, engagement between shoppers and the store workforce, unless an item is out-of-stock or some additional information is needed by the customer. This traditional sales approach remains commonplace today in many retail segments, including grocery, general merchandise, drug, convenience, do-it yourself and others.

But this traditional store model needs to evolve towards a more relevant experience for customers. Six in ten retailers in our survey will move towards theme-based concepts, which are focused on attracting very specific customer segments with themes like kids' entertainment, hobbies or lifestyles. In addition, by 2020, more than half of the retailers surveyed expect to use stores as fulfillment centers for online orders, and a similar number will launch pop-up stores, including event-based or seasonal concepts.

By 2020 **56%** of retailers expect their stores to evolve into online fulfillment centers.

> "In the last few years, there have been more disruptive digital technologies that have made their presence felt in the stores, i.e., smartphones, tablets. It has impacted the stores a lot."
>
> *IT Director, Large European Fashion and Footwear Retailer*

THE CHANGING ROLE OF THE STORE WORKFORCE

Time spent on store activities
% saying

Activities	Current	Next 2-3 years
Administrative tasks	**23%**	**23%**
Customer-facing activities	**21%**	**21%**
Back-office activities	**15%**	**15%**
Marketing tasks	**15%**	**14%**
Online order support	**14%**	**14%**
Training tasks	**12%**	**13%**

As the primary role of the store changes, we believe retailers will need to address longstanding challenges like workforce attrition and labor laws as well as new issues that come with online fulfillment and creating more experiential formats. Getting the workforce ready will be essential. However, based on our survey, retailers expect the workforce of these very different stores to work much the same as they do today. This suggests retailers are slow in addressing, and maybe even realizing, the changing role of the store workforce.

The results provide a stark contrast between retailers' vision and their ability to realize it. For example, although 56% of respondents expect their stores to evolve into online fulfillment centers, they do not anticipate an increase in the time spent on online order support among their store workforce over the next few years. And given the expected move to theme-based stores, it's surprising that retailers don't plan to have store employees increase their emphasis on customer-facing activities. This seems to represent a significant gap and indicates a need to rethink what the right store activities are and how they will need to be allocated in order to ensure that the workforce is ready to support the new formats. Retailers may also be focusing on more traditional challenges impacting the workforce that are taking precedence over the need to evolve the role of the store employee.

> "In terms of disruptive trends, we do a lot of buy
> online, pick-up from store."
>
> *CIO, Upper Mid-Tier Luxury Furniture Retailer*

Will millennials make a difference?

The shifting role of the store is not the only factor driving the need for changes in the workforce. Brand expansion is another key reason to address store workforce activities (cited by 43% of respondents). Brand expansion can mean new products, categories, geographies, operational changes and new customer service concepts that impact workforce activities.

An additional factor is changing demographics, with the workforce talent pool shifting to include, in particular, a growing number of millennials, many of whom will demand greater flexibility and engagement in their work. But it's not just millennials. Increasingly, research shows that most workers are interested in the same things: flexibility, meaningful work, engagement[1]. This needs to be a key consideration when a retailer is defining new business objectives, including new stores, products or formats.

The changing talent pool is bound to have an impact on labor hours and labor regulations. Over the next two to three years, retailers in our study expect that 30% of their staff will come from temporary workforce sources. This is up from the present level of approximately 20% to 22%[2]. The force behind this shift is mainly the increasing levels of seasonality in the business. Retailers will need to address this change with new technology tools and agile online/digital training methods to impart the requisite store execution skills and product knowledge.

[1] *"What Do Millennials Really Want at Work? The Same Things the Rest of Us Do," Bruce N. Pfau, Harvard Business Review, April 7, 2016*
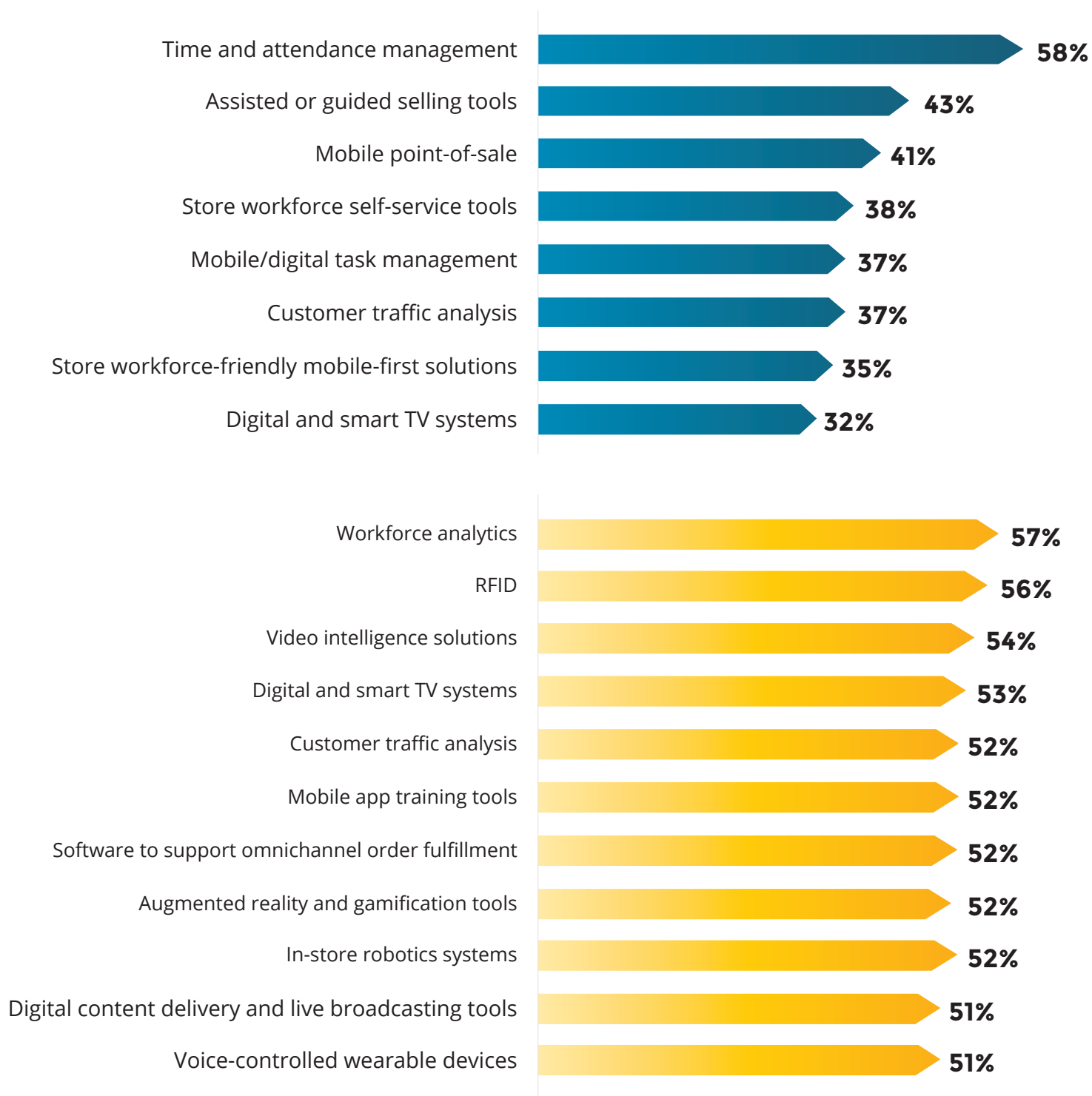
[2] *"40% of America's workforce will be freelancers by 2020," Jeremy Neuner, Quartz Media, March 20, 2013*

ARE STORES TECH-READY TO EMPOWER THE WORKFORCE?

Key store technologies used by retailers
% saying

■ Currently use   ■ Will use in next 1-2 years

Technology	%
Time and attendance management	58%
Assisted or guided selling tools	43%
Mobile point-of-sale	41%
Store workforce self-service tools	38%
Mobile/digital task management	37%
Customer traffic analysis	37%
Store workforce-friendly mobile-first solutions	35%
Digital and smart TV systems	32%

Technology	%
Workforce analytics	57%
RFID	56%
Video intelligence solutions	54%
Digital and smart TV systems	53%
Customer traffic analysis	52%
Mobile app training tools	52%
Software to support omnichannel order fulfillment	52%
Augmented reality and gamification tools	52%
In-store robotics systems	52%
Digital content delivery and live broadcasting tools	51%
Voice-controlled wearable devices	51%

As the role of the store shifts, technology will be instrumental in enabling the workforce to provide the right customer experience. With the growing use of innovative store technologies such as mobile apps, digital media, wearable devices, artificial intelligence, internet of things (IoT) and robotics, retailers need to invest in and increase their level of preparedness in embracing these advances at the store level. At present, many retailers use technologies such as assisted selling/self-service tools, mobile point-of-sale, and time and attendance management. However, over the next few years, they expect to turn to additional technologies like workforce analytics, augmented reality and in-store robotics.

Many of these new technologies – such as bots, automated processes and machine learning – provide the opportunity to augment employees' capabilities. This can be particularly valuable in an industry like retail where attrition and dependence on temporary workers is high.

Over the next one to two years, **52%** of retailers plan to use augmented reality and robotics in their stores.

"To enhance store operations, we introduced an upgraded Wi-Fi network and tablets. We have the same POS across all stores, which is localized to suit store environments."

IT Director, Large European Fashion and Footwear Retailer

THE VALUE OF AN ENGAGED AND EMPOWERED WORKFORCE

Enabling the workforce will take more than technology. To succeed with the more experiential store concepts anticipated in the future as well as the changing talent pool, retailers must focus on a number of key workforce issues, including:
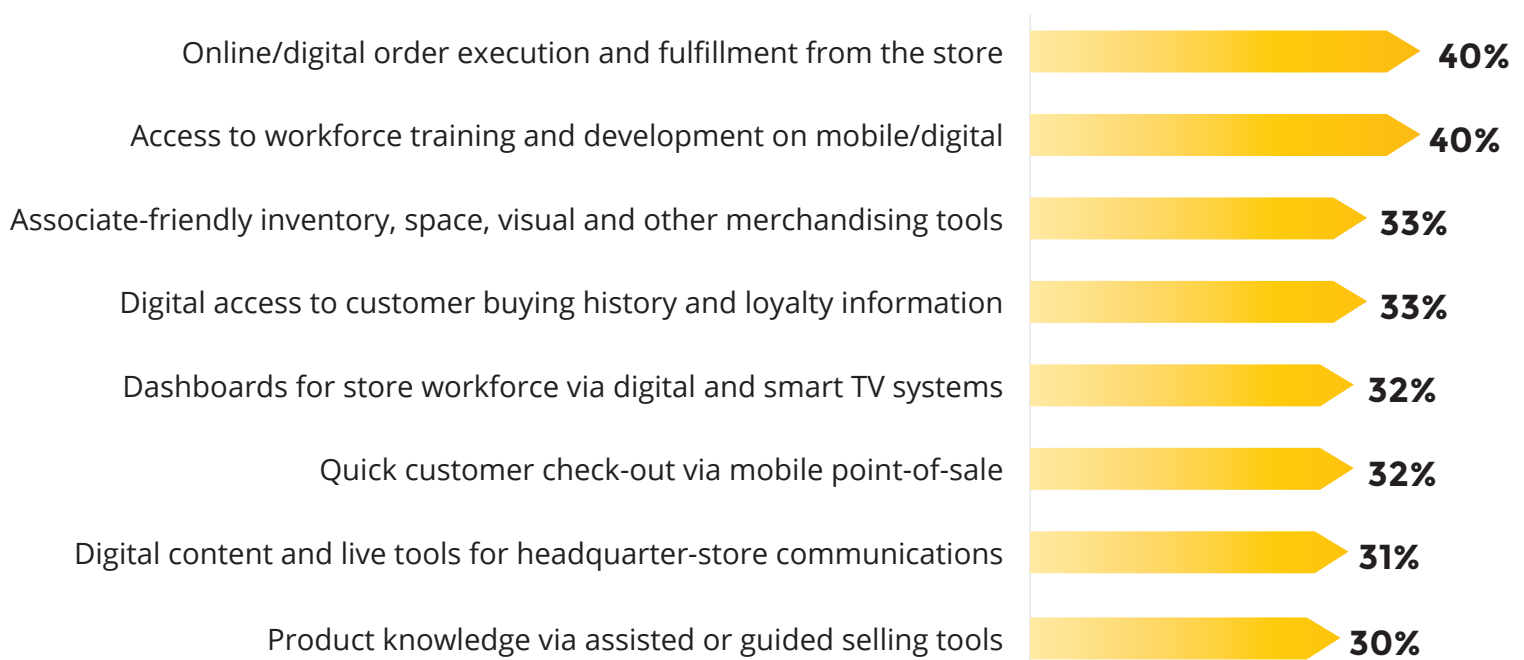
- Increasing employee engagement through better communications

- Increasing employee satisfaction with more flexible scheduling options

- Improving employee product knowledge through better training and easy access to relevant information

> "One of the most important retail aspects is our workforce enablement. As a brand, we are selling an emotional product. We need to hire the right people and train them appropriately and continuously. Re-training is critical."
>
> *Senior Director (International), Large Fashion, Accessories and Bags Retailer*

Store capabilities that will have the greatest impact on workforce productivity and performance

% saying (multiple responses allowed)

Store capability	%
Online/digital order execution and fulfillment from the store	40%
Access to workforce training and development on mobile/digital	40%
Associate-friendly inventory, space, visual and other merchandising tools	33%
Digital access to customer buying history and loyalty information	33%
Dashboards for store workforce via digital and smart TV systems	32%
Quick customer check-out via mobile point-of-sale	32%
Digital content and live tools for headquarter-store communications	31%
Product knowledge via assisted or guided selling tools	30%

To effectively address these issues, retailers will need to implement new digital workforce capabilities to ensure that store employees are empowered with the right set of up-to-date, automated and digital sales, service and operational tools. This includes enhancing certain in-store capabilities, such as training on mobile devices, which will help the workforce improve productivity and take on new responsibilities. In addition, executing online ordering and in-store pickup requires training to build up the capabilities to deliver the desired outcome for customers.

It's an investment retailers believe can pay off. Respondents in our survey noted that a more prepared, empowered and engaged workforce could improve metrics such as consumer satisfaction, stock availability, online and in-store sales, and store operating margins.

CONCLUSION: IMMINENT CHANGES AND STORE PREPAREDNESS

To address the evolving role of stores, the workforce will need to change to better align with new operational realities and frictionless customer experience needs. This will mean providing a true digital workplace to increase employee engagement and knowledge. Retailers will also need to address the fact that a growing portion of their workforce will be temporary. They will need to put in place policies, technologies and programs that provide agile workforce training to maximize performance.

The rate at which retailers transform their stores and workforce is a function of factors such as business objectives, costs, strategic planning, digital technology investments and, above all, effective implementation. Stores need to speed up their adoption of employee activities and tools that will drive sales and a more seamless shopping experience. To close the gap between their 2020 vision and their ability to realize it, retailers must adopt digital automation in terms of not just smartphones, but also smart merchandise, wearable devices and POS tablets, and rethink and reallocate how employees spend their time in the stores.

To read the full report, please visit *www.avanade.com/dwresearch-retail*

About EKN

Our research agenda is developed using inputs from the end user community and the end user community extensively reviews the research before it is published. This ensures that we inject a healthy dose of pragmatism into the research and recommendations. This includes input of what research topics to pursue, incorporating heavy practitioner input – via interviews etc., and ensuring that the blend of research takeaways are oriented towards a real-world, practical application of insights with community sign-off. For more information, visit **www.eknresearch.com**. Email us at **EKNinfo@edgellmail.com**

About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences delivered through the power of people and the Microsoft ecosystem. Our professionals bring bold, fresh thinking combined with technology, business and industry expertise to help fuel transformation and growth for our clients and their customers. Avanade has 30,000 digitally connected people across 24 countries, bringing clients the best thinking through a collaborative culture that honors diversity and reflects the communities in which we operate. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at **www.avanade.com**.

DISCOVER. SHARE. EVALUATE.

EKN