

The Future of Retail - 2020 and Beyond Retail Apocalypse or Retail Opportunity?

workjam





It seems that every week, we have news headlines bemoaning the collapse of yet another retailer, while analysts make dire predictions about empty shopping centers and failed big-box stores.

Are things really as bad as they seem? Is today's changing retail atmosphere the sign of deep decay within the industry, or are we simply seeing a few growing pains as the market adjusts to changing consumer behavior?

Unsurprisingly, the key to adapting successfully in today's shifting market is to understand what those shifts are, where they're headed, and how they change the overall retail landscape.

How Retail Is Changing

Retail Under Pressure

There's no doubt that retail is changing, says Andrew Myers, WorkJam's vice president of Asia Pacific and global digital strategy, and former Chief Operating Officer at Target Australia.

"Bricks and mortar businesses are facing four types of challenges," says Myers. "First,

property is always an issue, whether it's rent, location, or just the size of the store. Next, there's competition with online, with the storefront becoming more of a showroom. Then, the cost of goods is changing, whether it's electronics from China being more expensive due to inflation and geopolitical forces, or the cost of produce climbing

due to climate challenges. And lastly, there's inflation in the employee market, as base wages are pushed up in many parts of the world."

The other thing that's changing? The customers.

A Shift in the Buyer's Journey

Most every retailer is familiar with the buyer's journey. The basic concept of it is that customers go through three stages prior to making a purchase:

- **Awareness:** At this point, the customer isn't looking for solutions to their problem. In fact, they're just starting to become aware of what their problem is in the first place.
- **Consideration:** The customer knows they have a problem to solve and they're starting to look at options.
- **Decision:** They've decided exactly how they want to solve their problem – now they just need to decide on a vendor.

From a retail point of view, this could look like a teenager realizing she needs a new pair of shoes to go with her new dress, then looking at various styles of shoes, and then deciding on a sandal and picking which store to visit first.

It all sounds neat and tidy. As it turns out, however, this model is becoming outdated. No longer are buyers moving in a straight line down the sales funnel.

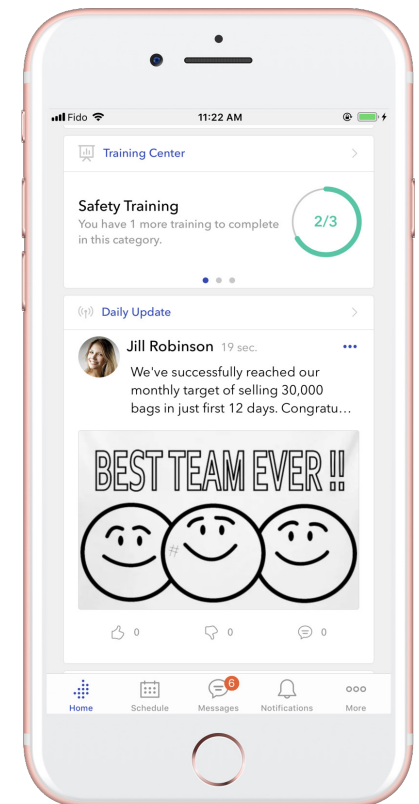
Instead, the easy online access to product information, reviews, and competition means the buyer's journey has become labyrinthine in nature. Now, our teenager may be at the store, item in hand, ready to buy, but then decides at the last minute to check out her Instagram feed...and sees a pair of sandals she thinks she might like even more.

Because information and advertising reach consumers in a never-ending stream, the customer can slip back to the consideration stage in a heartbeat, once more looking at their options.

A Culture of Consumers

In addition to the buyer's journey being less straightforward, there is another massive way in which retail has changed as Millennials and Gen Z develop increased purchasing power, and that's in the rise of community.

In 1990, a typical apparel shopping experience for a 20-year old would have been to head to the mall with some friends, browse around the stores, try on some things, make some purchases, and head home. It was done in one



trip, with one relatively self-contained unit of influence.

Fast-forward to almost 30 years later.

Now, a 20-year old's shopping journey might look like this:

- Seeing a celebrity promoting a brand of jeans on Instagram.
- Adding her like and her comments to the post along with thousands of other followers, all sharing in their enjoyment of this famous influencer's style.
- Going onto Twitter or Reddit and ask where one can find those jeans for the best price, or if anybody else has bought them and what they think of them.
- Flipping through multiple retailers' and online

marketplaces' websites, looking at reviews, and checking out customer-submitted photos.

- Selecting a retailer and putting items in her cart. She may buy the jeans that moment, that day, or a week later. Or, she may decide that those jeans won't work for her and will start back at square one.
- Once she does purchase a pair of jeans, she'll put them on, snap a selfie, and share it with her own community, exerting her own influence in turn.

In short, the customer is fully immersed in an ever-evolving marketplace experience where they shape the image of - and are fully immersed in - the brand well before they even make the purchase.

So what of brick and mortar retailers, then? Where do they fit into this picture, and will they be reduced to fighting over crumbs while online shopping and behemoth marketplaces grab the lion's share of consumers?



Is Brick-and-Mortar in Trouble?

As the marketplace evolves, are brick and mortar stores becoming obsolete? It would certainly seem that way.

However, while things have changed, they're not as dire as they may seem. Despite fears of behemoths like Amazon and Alibaba destroying in-person retail, online sales still only make up 10% of total retail sales. The National Retail Federation recently

reported that "the food, drug, convenience and mass merchants/warehouse category has reported 3.7 companies adding stores for every one that is closing stores."

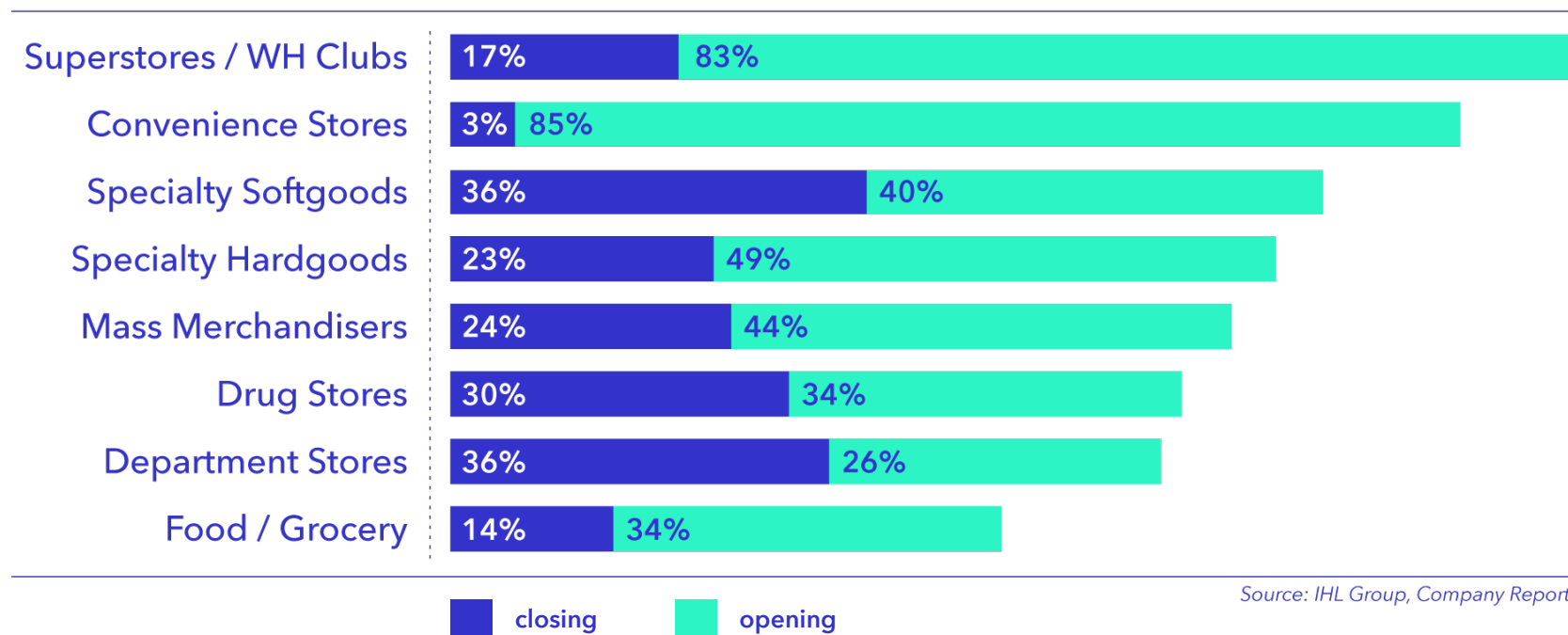
While some retailers are certainly failing, many more are thriving. Indeed, 16 retailers represent 66% of store closures.

In fact, a recent report revealed that 54% of surveyed retailers plan to open new stores by the

end of 2019, with a full 36% anticipating a higher store count by the end of the year than they had in 2018. Only 7% said they'd have a lower total store count by year-end.

% of Retailers *Opening* Stores vs. *Closing* Stores

For every company closing stores, **two are *opening* stores.**



Even retail leviathan Alibaba and its industry-dominating e-commerce site, Taobao, are diving into brick-and-mortar...with a modern twist. Its FashionAI project combines the ease of online shopping with the sensory experience of an in-person store, giving us a glimpse of the retail pendulum swinging back to a new, tech-enhanced happy medium.

This all sounds like relatively good news after all. But, that doesn't mean that retailers can blithely rest on their laurels and not worry about the changing marketplace. After all, while online doesn't yet make up a huge percentage of retail, it does provide a viable alternative. Consumers are no longer forced by geography to simply put up with a poor experience from their local retailer. They can and will take their business online,

finding it easier than ever before to never again darken the doors of a store that left a bad taste in their mouths.

Sears provides a good example of what can happen when retailers stop putting the customer first. The Wall Street Journal reported in 2017 that CEO Eddie Lampert avoided investing in store upgrades and investments, causing the stores to fall into disrepair – choosing instead to use company money to buy Sears stock back from investors.

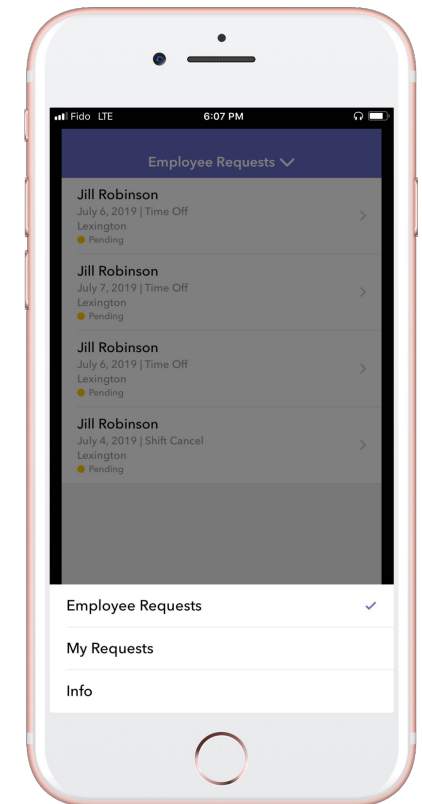
"My family always shopped at Sears," says one consumer we spoke to. "Our clothing, our appliances, our furniture, everything. But the store just seemed to not care about customers by the end of it. The website was terrible to navigate, the stores were a picked-over mess, the appliance service went downhill, and the stores

wouldn't honor sales that were on the website. My mom still shopped there, because she doesn't do online shopping, but the rest of the family? We never went back."

This indeed is one of the lessons that we can learn from the failure of large retailers: Customer loyalty only goes so far. If the retailer takes them for granted and doesn't provide a good experience, they'll be out the door.

Andrew Myers agrees that retailers cannot afford to become complacent, adding, "You can't keep doing what you're doing if you're not experiencing sales growth. People won't come back on their own or because they saw an ad. You have to be willing to change how you do business and give consumers what they want from a retail experience."

What DO consumers want from their retail experience, however?



What Consumers Want Now

Seeking a Positive Customer Experience

While it's cheering news to hear that brick-and-mortar is still important, the increase in available consumer options means that retailers need to bring their A-game.

Gladly's 2018 Customer Service Expectations Survey laid out the cold, hard facts:

- 92% of consumers polled said they would stop purchasing from a company after three or fewer poor customer service experiences.
- 26% would stop after just one bad experience.
- Customers only want to have to explain a problem once, not multiple times to multiple people. 71% want a consistent experience across all of a business' channels, but only 29% receive it.
- 54% of customers make decisions based on customer service, with 19% considering it the most important deciding factor.

Customer service, however, is only a small part of the puzzle, says Andrew Myers.

"You need to look at the overall customer experience. The sales associates could be unfailingly attentive and helpful. But what if the prices are different between the store and online? What if the ambience in the store is off-putting? What are the delivery and return policies like? Even something as simple as not enough hooks in the change rooms can negatively affect the customer experience. Ideally, the online and in-person platforms should be well-integrated, thoughtful, and designed to produce a cohesive and positive experience, with everything working together seamlessly."

Creating Connections

As we mentioned, today's consumers are seeking a marketplace experience with full brand immersion.

Does that leave room for

in-person experiences?
You bet it does.

No matter how engaging the online shopping experience, it still cannot replace the sensory experience of in-person shopping. Think, for example, of your average Bath and Body Works store. Even though their website sales are bustling, their same-store sales still grew by 12% during the past holiday quarter. Walk into any of their retail stores and it's easy to see why: Scent is their main value proposition and the key component of their brand experience. No matter how enticing the product descriptions online, reading about Warm Vanilla Sugar just isn't the same as smelling it for yourself.

Comparing online shopping to brick-and-mortar when scent is your product may seem like low-hanging fruit (or fruit-

scented body lotion, as the case may be). But the principle still applies: When it comes to full sensory experiences, online still cannot compare to in-person.

Apple Stores are another excellent example of a retailer that creates a complete sensory experience and a sense of community. Apple devotees don't go to an Apple Store for a quick in-and-out, generally. They browse, they hang out, they try new products, they engage with each other. The stores, products, and website all cultivate an experience of ultra-modern, cutting edge technology enhanced by sparse, clean beauty, and the entire experience is meant to evoke a feeling of belonging to a cool, smart, and creative in-group.

Market research expert Angela Woo agrees:

"It's clear that even as the online experience grows richer and more pervasive, the online-only approach isn't necessarily going to move the needle as much as a blended approach that utilizes the best of online engagement alongside the best of an in-person interaction."

Why? Even in an age of virtual reality, you still can't get the same emotional and physical connection online. The senses play an important role in evoking these emotions, helping to shape an experience – and the related brand perception – in ways that attendees don't even realize."

The key to that experience? Your people.

Store Employees: Retailer's most (notoriously) underrated asset

So, let's recap.

Consumers want:

- A consistent and positive brand experience across multiple channels
- Full-sensory immersion in a sense of community and marketplace
- Easy access to products and information about those products

In the meantime, retailers are facing increased pressures due to competition from online stores and rising costs.

There's an answer that addresses pretty much all of these problems: Employee engagement.

What Is an Engaged Employee?

Being an engaged employee goes further than simply being content at work. Instead, a

highly engaged employee is enthusiastic about – and dedicated to – their job. They're passionate about what they do, care deeply about the performance of the company, and take their contribution and work seriously as it pertains to the bigger picture.

It's easy picture why having an engaged workforce would benefit your business, but let's examine the exact benefits,

particularly in light of the analysis of the changing consumer marketplace.

Benefits of Employee Engagement

Customer Satisfaction

This is the big one, the one that can make or break your business...and it's more important than ever before. As mentioned, consumers have the online world at their fingertips and they will no longer put up with less-than-stellar service. Having less-than-engaged front-line associates makes it an uphill battle to provide great service. Even if the associates are polite and knowledgeable, they simply don't have the internal motivation to create a great customer experience, often doing the bare minimum of what's required to keep their job. Think of what it's like to deal with a sales associate who

basically ignores you until you walk up to the register, and you've got the general idea. Remember: 26% of consumers in the Gladly survey would shun a store after one bad customer service experience, and bad customer service doesn't always mean overt rudeness – just being generally unhelpful is often enough.

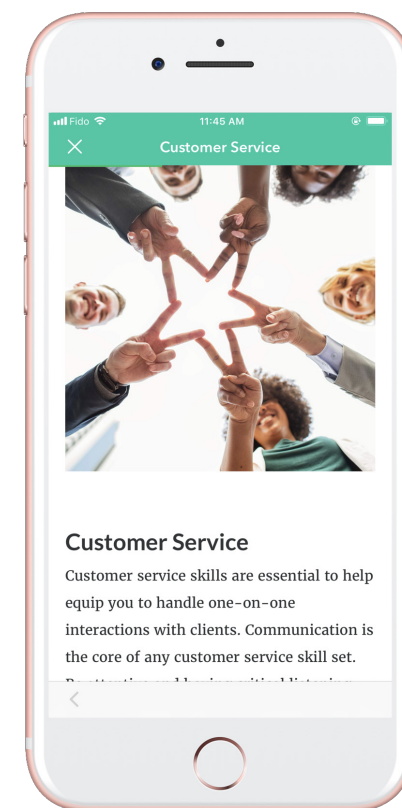
Conversely, an engaged employee will engender goodwill and a sense of community with customers. These are the employees who are friendly and knowledgeable, who genuinely care about the customers, and who take pride in their store and its offerings. These employees create a positive customer experience that leave consumers with a sense of well-being and belonging.

An excellent example of a retail giant who has mastered this

philosophy is Nordstrom. While it has encountered peaks and troughs like any retailer, and is continuing to evolve, this family-operated luxury retailer has continually maintained a strong focus on their employees and on customer service, resulting in decades of upturn. In addition, they enjoy better-than-average morale and retention. Employees are empowered and trusted (their employee handbook contains only one rule: Use good judgment in all situations.)

Lower Costs, Higher Profits

We've seen how costs are increasing, whether it's the cost of goods, the cost of the store property, or the costs of staffing due to increased base wages. To offset those costs and continue to be profitable, there are only so many avenues available, some of which can actually be



detrimental in the long run.

Too many retailers have made the mistake of treating employees as an easily replaceable commodity, reducing staffing costs by eliminating their higher-paid, full-time retail associates and replacing them with entry-level part-timers.

Why is this a mistake? It's because all too often, the staffers that were let go were the ones with the knowledge, experience, and engagement that had been elevating the customer experience and the overall engagement and morale of the workforce. This may lead to savings in the short term, but tends to backfire spectacularly, as the poorly directed cost cutting results in a decrease in service and employee engagement, which results in lost customers and higher turnover...which results in an

even greater need to cut costs.

It's a race to the bottom that nobody wins.

Instead, retailers can improve productivity, increase profits, and reduce in-house costs by focusing on improving employee engagement. How does it work, though?

Reduced turnover

The average turnover for all industries in the US is around 15%. For retail? It's over 60%, says the National Retail Federation. This blisteringly high turnover rate costs these retailers a total of \$19 billion annually in recruiting, hiring, and training.

If your seasoned associates are engaged with the company and stick around for the long haul, the savings can be vast. It's estimated that it costs an average of \$3,328 to

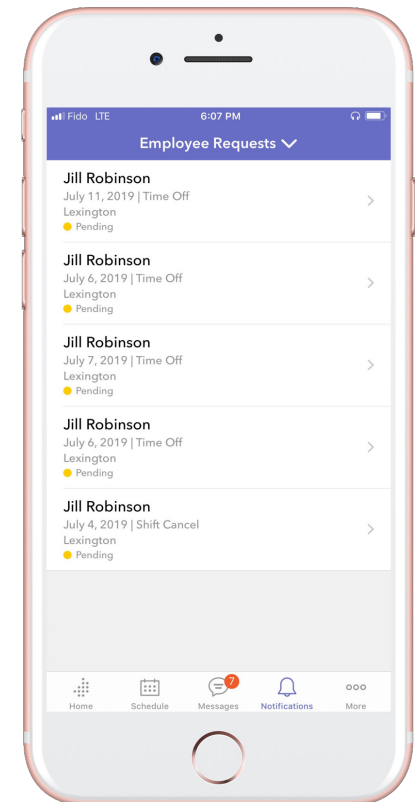
replace one retail employee. If a business has 100,000 employees and is operating with a 40% turnover rate, that turnover is costing the retailer over \$133 million per year.

And while most retailers recognize that turnover is a serious problem, they may not be looking at precisely what it's costing them, says Andrew Myers:

"A company may allocate so many millions to their HR department, but may not be closely tracking on the profit and loss reports exactly how that's used and just how much of their budget is going toward the cost of recruitment."

Reduced Absenteeism

Highly engaged employees usually won't miss a shift unless their situation is absolutely dire. A disengaged employee, on the other hand? Their absenteeism



rate will be much higher. It may be that they simply don't care. Or perhaps their disengagement and unhappiness is manifesting itself with physical symptoms that prevent them from coming to work. Either way, the numbers are stark. According to Gallup's 2017 State of the American Workplace, workplaces with highly engaged employees see 41% less absenteeism.

These numbers can significantly add to a retailer's struggles. When last measured, absenteeism was shown to cost American retailers \$84 billion a year. In addition, absenteeism can cause an ugly chain reaction in a store: Lowered morale, increased frustration, reduced customer service, and a drop in productivity.

Increased profits

An employee who isn't engaged isn't going to go out of their way

to upsell, or even to make the sale in the first place. Conversely, a highly engaged employee is personally dedicated to the success of the organization. So, they'll look for additional sales opportunities whenever appropriate and will go out of their way to point out exciting new products to the customers. Along with the increase in sales comes an increase in margins. Engaged employees will showcase and promote new merchandise, moving it out of the store long before it hits the clearance racks. For more examples of how to measure the ROI of an engaged workforce, read our white paper, "The ROI of a Digital Workplace."

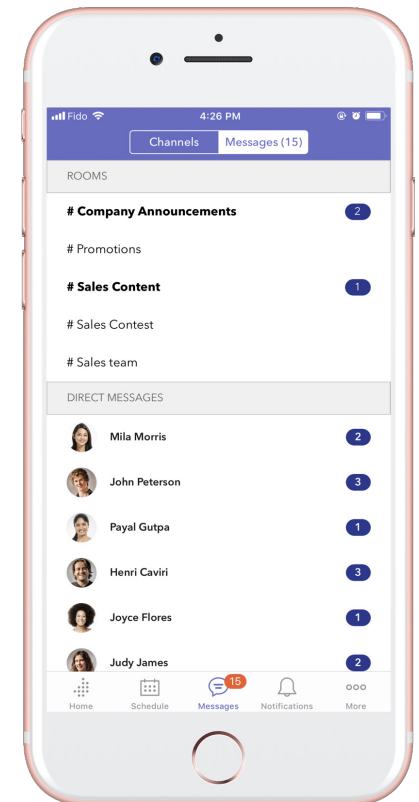
Easier hiring

When employees are highly engaged, they tell their friends. They share it on their social networks. They leave Glassdoor reviews. In short, they build

your employer brand. And when a retailer has its staff singing its praises, good things follow: a higher caliber of applicants and more of them. Experienced and skilled staff from other retailers may even start to jump onto your ship. This can make an enormous difference in the cost of hiring and the time spent doing so, particularly in markets where unemployment may be low.

To sum up, almost all of the major pain points today's retailers face can be greatly alleviated by increasing employee engagement.

And as it turns out, there are exciting new tools that make this easier than ever.



The Power of the Digital Workplace

Digital workplace platforms such as WorkJam make it easier for retailers to improve efficiency and productivity while also increasing employee engagement (which in turn, also increases efficiency and productivity).

Here's one example:

Shift scheduling and underemployment are major pain points for retailers and

staffers alike. Employees struggle to get enough hours and often face the impossible task of balancing multiple discrete part-time jobs. This juggling act leaves managers scrambling to handle shift change requests or to find new staff if underemployed employees leave for greener pastures.

Now, picture an online shift marketplace, where

employees can view, trade, and pick up shifts across multiple retail locations.

A location that needs extra hands due to an absence or an anticipated increase in traffic can easily post available shifts on the WorkJam platform. Associates from other locations who were sitting at home and would love to pick up extra shifts, quickly answer the call.

And presto, the benefits are multifold:

1. Store locations have an easier way to handle absenteeism or increases in traffic (such as during holiday times).
2. Employees who are underemployed stand a better chance of being able to work as many hours as they wish.
3. Shift trades are easy and convenient, making it a much simpler task to balance a job and the demands that family or schooling can bring.
4. Employees are much more likely to stay with the company if they're getting as many hours as they want and are empowered with the ability to adjust their shifts when needed.

5. Managers spend virtually no time handling shift changes and can focus instead on improving store performance and coaching staff.
6. Customers receive a better experience. Not only do they not face a shorthanded store, but the people filling in are seasoned staffers who don't need to be brought up to speed - they can immediately start providing seamless service.

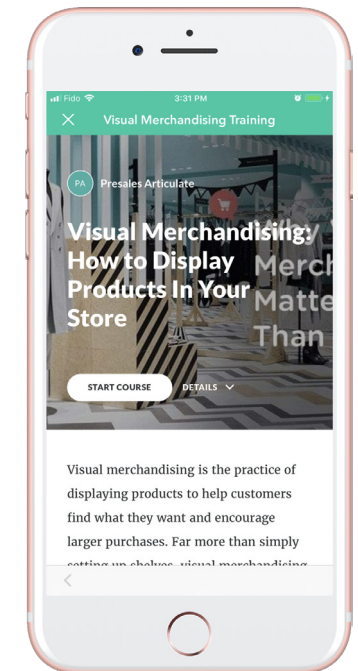
Remember: Retailers today are facing increased costs and increased competition, while customers are looking for an exemplary experience and a sense of community. By implementing a digital workplace platform, retailers can greatly reduce absenteeism and turnover costs, improve employee engagement and morale, help managers focus

on the activities that will actually move the needle, and create a seamlessly positive, brand-consistent experience for customers.

Here's the power of the digital workplace in action: Target Australia implemented WorkJam, which among other functions, provided detailed product knowledge information and training to associates. In the 12-month period after implementation, they saw a 60% reduction in customer complaints around product knowledge.

Andrew Myers, who was COO of Target Australia at the time, adds, "The associates were more confident in not just selling a pair of denim jeans, but they knew how the jeans were made and the conditions in the factory and whether the materials were ethically sourced. They knew the various

design elements that went into the jeans. They knew how many we bought and how many they needed to sell. And I generally think that that's what helped us get sales growth."





Conclusion: The Power Is in the People

It's true that retailers are facing a challenging landscape that is changing more rapidly than ever before. And it's also true that some retailers will be left by the wayside.

However, the future of retail remains bright, particularly for those retailers who place a priority on employee engagement and the customer experience. As consumers face an increased number of options, they'll reward those

companies whose employees are informed, engaged, and helpful – the ones who create an immersive customer experience that engenders loyalty and community. By shifting their focus to their in-store staff and not just their

websites, retailers improve their chances of successfully navigating today's tumultuous retail landscape and when the dust settles, coming out on top.

*For more information on WorkJam and how we can help you
unleash the potential of your workforce, contact us today.*

[Request a Demo](#)