

Largest Retailers Slow to Create Omnichannel Shopping Environments

New Study by HRC Advisory Finds Lack of Training, Service and Technology Services in Stores

HRC Advisory, a leading strategic retail advisory firm, recently conducted a study surveying 35 leading retailers including Department Store, Specialty Retail, Big Box, Grocery and Convenience Store chains, mostly with revenues of over \$1 billion (50% of which are publicly traded).



Significant Findings of the Report Include:

Current State of Store Operations – The Challenges: “Need to do More with Less”

U.S. trails U.K. for in-store pick-up of web-based orders

Mobile POS is Rare

Store Staff are not getting effective multi-channel training

Store Associates not recognized or incented for multi-channel selling

Some of the largest U.S. and U.K. retailers have been slow to adapt their store operations to changing consumer buying habits, according to the HRC Advisory study. Surprisingly, HRC Advisory found that 80% of retailers surveyed are not effectively training their in-store staff to accommodate the new shopper who has grown accustomed to showrooming, competitive price matching and conveniences such as click-through check-out and store pick-up.

The minority of retailers that have committed to transforming their stores in this new environment have been enormously successful as they examine every customer touchpoint and how it must play their part to creating that seamless customer experience.

Current State of Store Operations The Challenges: “Need to do More with Less”

- Store payroll budgets (second largest expense) have been under pressure since the 2008 recession. These cuts have impacted stores’ capacity to deliver on the customer experience.
- There is increased pressure to have store staff complete an increasing number of operational and control-oriented tasks.
- Regional field leadership (DMs and above), since the 2008 recession, have faced increasing spans of control due to cost pressures. However, their roles are now much more complex as they need to coach and manage performance of a host of new multi-channel related tasks in addition to the traditional store activities.
- Multi-channel competitive pressures have led to new technologies and services being adopted in stores, at times before being effectively vetted for customer reaction and effective adoption. This, with pressure on labor budgets, further challenges the capacity of store staff to deliver a differentiated retail experience.

U.S. Trails U.K. For In-Store Pick-Up of Web-Based Orders

When implementing, U.K. retailers are focused more on breadth of offering over speed of delivery. In the U.K., retailers tend to start with a service level of one to many days for merchandise availability for pick-up in their stores and then move towards a “click and collect” level of service that is more immediate. In the U.S., retailers tend to go straight to implementing the more complex immediate pick-up in their stores mainly because this “have it now” level of convenience can be a differentiator versus Amazon with certain classes of merchandise.

Many U.S. retailers shared the view that while in-store pick-up has been successful, there is a steep learning curve and customer expectations must be managed throughout the process as the retailer works through labor forecasting and inventory management challenges presented by this service. Retailers have learned the hard way that this popular service (and likely this applies to most cross-channel services), should be tested carefully because it requires a cross-functional collaboration as well as a defined pilot.

Mobile POS is Rare

Only 18% of U.S. retailers have implemented mobile POS systems across most of their stores. In most cases, retailers have only rolled it out partially, rather than to entire chains. Further, mobile POS is still typically utilized for only one or two specific uses (i.e. line busting or search/assistance within specific departments), rather than leveraging the full extent of key capabilities such as in-stock visibility across stores and pricing.

Store Staff are Not Getting Effective Multi-Channel Training

80% of U.S. and U.K. retailers surveyed said they have not invested sufficiently in training their store staff on how to handle multi-channel customers in-store, whether on how to handle “showrooming,” competitive price-matching, in-store pick-up requests, or addressing specific product knowledge customers may have gained from the web. Additionally, fewer than 25% of retailers surveyed indicated that their field management was providing the leadership necessary to drive improved productivity through their physical stores in this new multi-channel environment.

Store Associates Not Recognized or Incented For Multi-Channel Selling

Less than one in 10 retailers (with a further 10% in development) are currently compensating their associates for their contribution to multi-channel sales. Retailers with multi-channel customers acknowledge that while the store may not process the actual sale, the store associates play a

critical part in driving company top-line sales. Approaches for compensating employees for their contribution to the sale by servicing the shopper in-store (before they actually transact online) have yet to be formalized.

Retailers facing multi-channel competition pressures are experiencing pressure on their commission-based sales associate compensation, most particularly in sectors where the online sales ratio is growing most. Since the store is no longer the only channel, when a customer shops in a store with a sales associate and then transacts on that retailer’s e-commerce site, the store sales associate has effectively lost a commissionable sale. Retailers are testing different methods for measuring a store’s relative contribution to enterprise sales in order to fairly compensate store associates that the concept of net stores sales for labor forecasting is becoming less accurate with the advent of multi-channel growth. Retailers with multi-channel customers in their stores need to best allocate their store resources as, even while the store may not ring the sale, the store has a critical part in creating the customer’s motivation to purchase, whether in-store or online.

Notes on Survey Methodology and Analysis

HRC Advisory conducted detailed survey interviews with executives. The survey included 35 retail respondents including Specialty Apparel, Specialty Non-Apparel, Department Store, Discount, Dollar/Variety, Health & Beauty/Rx, Big Box, Grocery and Convenience stores. Participating criteria included annual revenues that range from innovative multi-channel smaller retailers to multi-billion \$\$ retail chains. At least 50% of the companies surveyed are publicly traded.



For more information, please contact:

Antony Karabus
akarabus@hrcadvisory.com
Phone: 416-726-1923
847-370-2758

Farla Efros
fefros@hrcadvisory.com
Phone: 416-997-9803
847-204-9065

5 Revere Drive, Suite 202
Northbrook, IL 60062
www.hrcadvisory.com

hrc RETAIL ADVISORY