

# COO Reset

Omnichannel environment places evolving demands, challenges on C-suite executives

The transformation of retail from brick and mortar into a digital omnichannel environment has caused an evolution in certain key roles in the C-suite.

Antony Karabus, CEO of HRC Retail Advisory, spoke with *Chain Store Age* about how the key role of the chief operating officer is evolving to enhance the transformation of retail companies in today's more complex environment.

## What is the typical scope of responsibilities of a retail COO?

Historically, the retail COO has mainly played one of three different roles. At some retail companies, the COO has been the executive overseeing the stores organization. At others, the COO role has been responsible for merchandising and digital. And there are yet other retail COOs who are responsible for a combination of stores, supply chain, HR, e-commerce, merchandise planning and allocation, and digital/information technology.

## Traditionally, COOs were seen as second in command within a

## retailer, and the role was often seen as a stepping stone to chief executive. Is that still the case?

The answer to this question is complex as different retailers use the COO role in different ways and the issue of succession to the CEO differs according to the way the COO is structured at a particular retailer. At retailers where the COO leads the stores organization, the role is typically a peer with the other members of the leadership team.

At retailers where the COO has responsibility for the crucial functions of merchandising, stores and digital or has broad responsibilities for the functions of stores, operations, supply chain, sourcing, HR, e-commerce, merchandise planning and allocation, and digital/information technology, the COO role often is the logical successor to the CEO.

This was exactly the case at Barneys New York, where the COO, Daniella Vitale, was responsible for merchandising, stores and digital. She was recently promoted to chief executive following a successful tenure as COO.

## According to reports, some retailers are eliminating the COO position as they streamline. Is that a good idea?

It depends entirely on how retailers view the COO role. If the role is part of a CEO succession planning process, then the COO role should be retained if connected to the individual groomed for the CEO role. Once that COO has been promoted to CEO, then the COO role may be combined with the chief executive role.

In other retailers, we see the retention of the COO role where the incumbent is effectively playing the chief customer officer role (explained below).

## What should the primary focus of today's COO or successor position look like?

In today's increasingly omnichannel environment, we are seeing at some retailers the convergence of the former leaders of the individual customer selling channels (the most senior stores executive and the head of e-commerce) into a single role, which is often given the title chief customer officer.

This evolving role is a key enabler to help retailers make the required transition to look at their business from a customer's viewpoint rather than an individual channel perspective.

However, the transition to this role is complex and requires the definition of the right accountabilities, experience and metrics for the chief customer role. This crucial role will evolve to enable the omnichannel demands of an increasingly demanding digital customer and to assist in managing the transition to mitigate the impact of expense de-leveraging due to an omnichannel customer.

## What is the most important ingredient of a successful COO or successor role in the current retail environment?

The most important ingredient is to develop an organizational total view of the customer rather than within a single channel and to ensure all organizations, roles, accountabilities, competencies, metrics and compensation to drive the right behaviors are put in place, reinforced and strengthened.

## CFO Evolution

COOs aren't the only execs whose role is changing. HRC Retail Advisory's Antony Karabus explains why CFOs have taken on increased prominence in a new retail environment:

The scope and responsibility of the retail CFO has expanded as the retail economic model has taken on increased complexity in today's omnichannel environment, resulting in additional pressure on profitability.

Business cases and ROI's for both capital and operating expenditures have become more complex, and there are more uncertainties and challenging assumptions to be incorporated into investments across the different

functional areas, such as digital/information technology, stores, e-commerce, marketing and supply chain management.

At a number of retailers, the CFO role has evolved to that of a chief administrative officer role to recognize the increased complexity in the role in today's retail environment.

And at other retailers, a single senior executive is taking on the responsibility of chief administrative (or chief operations) officer to lead most non customer-facing functions, such as IT, HR, real estate, corporate affairs and supply chain. This reduces the number of direct reports to the CEO, which enables a greater focus on customer-facing functions.