Industry Perspective

THE FUTURE SERIES

The Future of Retail

Four ways to design for what's next

Disruption still impacts every corner of the retail space. Business leaders and industry experts weigh in on the most compelling trends in retail, including leveraging AI for financial planning and multichannel experiences, new approaches to talent retention, and doubling down on data analytics.

In the never-ending quest for consumer engagement and spend, forward-thinking retailers are rolling out increasingly seamless omni-channel shopping experiences and will be able to use AI and machine learning (ML) to expertly optimise multiple touchpoints from discovery to fulfilment.

As multichannel retail experiences become the norm, executives need to ensure that their back-office operations can support them – whether it's shoring up human capital management (HCM), harnessing AI and ML to strengthen financial forecasts in a time of economic volatility, or leaving disparate legacy systems behind for cloud-based platforms that deliver data-driven insights.

While the retail industry proved its mettle with an agile and innovative response to the pandemic, leaders need to double down on data insights to weather future disruptions.

"A lot of leading retail companies are building very detailed scenario plans to understand how to react to different market conditions, and figure out what levers to pull and what initiatives to drive, depending upon how the market plays out over the next 6 months, 12 months, couple of years," said Scott Rankin, advisory industry leader for consumer and retail, KPMG, in 2022 at Workday Rising. "So from a macro perspective, businesses need to be flexible and nimble."

To get a sense of what that future might mean for retail, industry experts and executives weighed in on key imperatives that will have the greatest impact on the retail sector and how finance, HR and IT leaders can prepare their operations for long-term success.

The future of finance in retail

Doubling down on analytics for greater agility

Be it QR codes, supply chains or consumer surveys, retail is awash with data. But with many back offices still utilising clunky legacy systems or battling data silos, organisations often struggle to leverage data for insights and planning. More than 1 in 3 retail executives (35%) cite access to high-quality usable data as one of the biggest barriers to achieving their transformation goals, according to a Workday report.

"The breadth and complexity of retailers' data is only increasing – and often exponentially," says Keith Pickens, managing director, Retail Industry, Workday. "But you can't turn fragmented data into decision-ready insights, at least not at the speed and ease that retailers need right now."

For retail finance leaders, making the leap from fragmented data to usable insights requires access to an agile single source of truth in which real-time information is not only easily accessible, but also speaks across functions.

"Recent events and widespread uncertainty in the industry highlight that retailers must be poised to pivot as their default state," says Jennifer Johnson, senior industry director of Retail and Hospitality Solution Marketing at Workday.

When Team Car Care made the shift from spreadsheets to fully automated financial planning, it was able to quickly harness the built-in ML capabilities in Workday to forecast how many customers would stop by individual Jiffy Lube stores at various times during the day. That forecast is seamlessly synced to the company's sales and workforce plans, helping everything from labour to product inventory stay in lockstep with customer demand.

And those faster, better insights don't actually require more resources. In fact, AI and ML helped the organisation replace a manual task, which once involved passing more than 50 spreadsheets among district managers – reducing the forecast scenario cycle from a months-long process to just days.

"We've got 250,000 SKU-item combinations," says Matt Castonguay, senior vice president of Finance, Analytics, and Supply Chain at Team Car Care. "Now we can feed our operational and financial data into our system so we have instant access to a single source of truth for everything that's going on in the business."

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The future of HR in retail

Getting serious about the employee experience for frontline workers

The retail industry is no stranger to high turnover, but the pandemic exacerbated already high attrition rates. In fact, 60% of retailers are facing higher than normal turnover rates according to a Workday study, and that's one of the highest of any industry. What's frequently pushing frontline retail workers toward the exit is a desire for better pay, training, flexibility and visibility – a wish list that makes up the backbone of employee engagement.

To stem the turnover tide, retail HR leaders need to offer employees as much flexibility and control as possible and focus on building a skills-based organisation. The small cohort that is getting it right and reporting lower than historical average turnover rates are those who are much more likely to use employee-first scheduling tools with their frontline workers (42% to 27% overall), according to this Workday survey.

"Up until the onset of COVID, many employers had become increasingly aggressive in scheduling frontline workers to suit their forecast demand. But people cannot be living on a 48-hour cycle of change," says Mark Cohen, director of Retail Studies at Columbia Business School. "Now employers are doing everything they can possibly do to make it convenient for their workers to remain employed."

Cloud-based solutions can help retail organisations make the necessary inroads to employee engagement endeavours. Among 17 industries, retail lagged the most in the autonomy (15th), reward (15th) and accomplishment (16th) engagement drivers, according to the Workday "State of Engagement 2022" report.

Investments in employee satisfaction are quickly becoming a top priority for many executives and that will only accelerate in the future – 58% of organisations that employ frontline workers have invested in improving their employee experience in the past year, according to Gartner. Of those that haven't, one-third intend to do so within the next 12 months.

"Now is the time for retailers that want to succeed – once we're through these crises – to get their act together and recognise that the same old bad behaviour is going to put them at risk when the next crisis occurs," Cohen says.

Focusing on the retail manager experience to boost retention and the bottom line

While retaining frontline workers must remain a top concern for retail organisations, they can't afford to overlook their managers in the process. Managers are at an even greater attrition risk than the employees who report to them – 63% of managers say they're likely to leave their jobs in the next three to six months, according to McKinsey research.

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Director of Retail Studies,
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"If you look at what matters most to non-managers, [there are] a lot of things that managers control," says Bryan Logan, partner, McKinsey & Company. "[There are] things such as career development, inspiring leadership and meaningful work. We have this interesting juxtaposition where the non-managers' satisfaction is largely based on a group of people – the managers – who themselves aren't very satisfied and are thinking about leaving."

In the wake of high turnover during the pandemic and expanding consumer and employee expectations, retail managers are shouldering additional responsibilities in recruiting, retention efforts, training and career development, says Ben Eubanks, head researcher at Lighthouse Research and Advisory. "Managers, in general, want to do well, but we're expecting them to do too much, or we're not giving them the right tools in the beginning, and we're setting them up for this no-win scenario," Eubanks adds.

Retailers need to lean on digital tools to ease managers' workload, whether that means providing them with instant insights into what's happening within their stores or making employee scheduling a less time-intensive task.

Pet Supermarket is one retailer that has rethought its approach to frontline manager engagement through cloud-based technology solutions, including eliminating a clunky Excel-based scheduling template.

"It wasn't an efficient process at all and took managers, in some cases, hours to put schedules together for one week," explains Christina Reed, senior director of Regional Store Operations, in a 2022 session at Workday Rising.

When retail organisations free up managers to focus on more high-value tasks, including employee training and mentoring, it translates into lower frontline turnover. And stores with lower turnover beat out the sales of comparative stores by 3 percentage points, McKinsey reports.

The future of IT in retail

A seamless consumer environment across the omni-channel ecosystem

Gone are the days when consumers drew a clear line between online and in-person shopping. These days, consumers rely on multiple channels along their buying journey. In fact, since the pandemic, one-third of Americans have made buying online and picking up in-store a regular part of their shopping routine, according to McKinsey research. Non-linear buying behaviour means retailers need to deliver a seamless experience across an expanding omni-channel ecosystem.

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"Consumers don't care if it's retail, online or something else; they think about interacting with their favourite stores and hospitality partners from start to finish and they don't bifurcate between channels," Rankin said at Workday Rising in 2022. "And it's really, really important to use technology and data to create those seamless experiences to deliver what consumers expect in today's market because they've got lots of choices."

And while e-commerce through social media channels is expected, according to McKinsey, to more than double from 2021 to 2025, retailers can't lose focus on delivering a best-in-class brick-and-mortar service. Indeed, 84% of retail executives report that consumers are seeking shopping experiences outside the home, according to Deloitte.

Savvy IT leaders will invest in cloud-based solutions to align these multiple revenue streams. Fulfilment is a natural focal point to capture consumer buying trends. A handful of the industry's biggest names (for example, Walmart and Albertsons) are transforming their stockrooms into microfulfilment centres that ship merchandise directly to online customers, as well as offering kerbside pickup.

"Retailers are trying to provide better options to their customers to enable better fulfilment," says Sam Ganga, partner and national consulting leader at KPMG, in a *Workday Podcast* episode. "That takes the shape of buy online, pick up in store, direct store delivery. You really want to take advantage of the fact that you've got two channels that are going to work together symbiotically."

To learn more about how Workday helps retail drive digital transformation, please visit: workday.com/retail

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