



## NRF 2016 Highlights: The New Reality for Retail Leaders

### **Omnichannel is only part of the story.**

This insight was one of many coming out of the recent National Retail Federation (NRF) Annual Convention & Expo in New York City that pointed to a rapidly and dramatically changing retail industry. Consultants from Spencer Stuart's global Retail, Apparel & Luxury Goods Practice attended "Retail's Big Show" to gain firsthand perspectives into the forces that are reshaping retail on a global scale. Based on our observations and conversations with top leaders, we've identified three major trends and what they mean for senior retail leaders.

### **A truly differentiating brand experience goes beyond the product — and delivering it takes broader thinking.**

Many of the discussions at NRF centered on the brand versus the product, signaling a seismic shift in how retailers are thinking about the business. Differentiation no longer stems from the traditional quality markers of merchandising or operations, but rather delivering a holistic customer experience. Today's consumer is armed with unprecedented information, choices and purchasing channels, enabling value judgments about brands long before (and even at) the point of purchase. Best-in-class e-commerce retailers have raised the bar for customer expectations, providing vast selections of products with near real-time delivery and red-carpet service. Connection with the customer along the entire purchasing journey is crucial, especially in a digital world where retailers have little time to capture a customer's attention and wallet. An omnichannel strategy alone is no longer enough.

The brand experience must also include data-driven personalization, mobile capabilities, social engagement, a global orientation, assortment optimization and in-store experience. The most successful efforts result in an experience that makes the customer not feel like a customer at all — but an individual whose needs are understood and met. For example, women's fashion retailer Ashley Stewart transformed its brand to resonate at an emotional level, including merging its online community with the in-store experience to ensure an often underserved customer base feels uniquely catered to and empowered.

Technology must be in service of the brand experience — tablets in-store mean nothing if they don't help deliver a better customer experience. Retailers need senior leaders who not only understand digital

developments, but who can discern whether “the next big thing” in technology advances the strategy and then sell the internal organization on the opportunity. Some retailers are also beginning to rethink their organizational structures to become more customer-centered, aligning compensation across channels and functions in order to instill a strong customer focus. Others are organizing in non-traditional ways, including combining e-commerce and store responsibilities to make sure that there is clearer accountability for the customer experience, regardless of how he or she chooses to transact.

Internal dynamics can significantly affect the external brand experience. An organization’s culture — the shared values, beliefs and hidden assumptions that shape how work gets done — can have a tangible impact on business performance. In fact, the majority (60 percent) of marketers we polled in a recent survey said organizational culture is very influential in enabling the brand experience. As author and leadership adviser Simon Sinek has said, “Customers will never love

a company until the employees love it first.” Retailers need leaders who are able to foster an organizational culture that spurs innovation and passion around the product, brand and the customer.



## Shifting consumer preferences require leaders who are one step ahead.

Today’s consumers are increasingly diverse with evolving tastes and high expectations for product quality, availability and service. Millennials — and their \$200 billion in annual buying power — are largely driving these shifts, and the question of how to best attract and engage them was a key topic of discussion. Although they have less spending money than previous generations, millennials are willing to spend more on top-quality, health-conscious products from organizations that share their social values.

Some retailers, like Nike, have responded by ramping up community outreach efforts. The athletic apparel company has recently opened its latest community store in East L.A., committing to hire 80 percent of employees from within a five-mile radius of a store’s location and establishing local grant and athletic programs. These dynamics also have given rise to new retailers, such as Shinola, whose American-made brand is synonymous

with community, social responsibility and authenticity. NRF also highlighted the growing microtrend of “makers,” consumers who look to brands as a vehicle for their own self-expression. At the same time, retailers must be able to engage millennials without alienating their customer base from other generations.

Demand is growing for senior executives who have the pulse on engagement-enabling technologies and deep consumer insights and who can anticipate what customers want even before they know they want it. Digital is simultaneously blurring traditional organizational boundaries and flooding organizations with data, requiring leaders with both the ability to make data-driven decisions and lead multidisciplinary teams. In an interconnected world with increased consumer scrutiny around labor practices and product sourcing, global perspective is quickly becoming a must-have.

## ‘Best athletes’ are needed to navigate changing business models and increased complexity.

Retailers face a more complex environment than ever before. The customer journey is no longer from point A to point brick-and-mortar. Routes to market are being reinvented and impacting supply chain and fulfillment in the process — retailers with strong supply chain and distribution executives who can figure out “the last mile” will stand at a distinct competitive advantage.

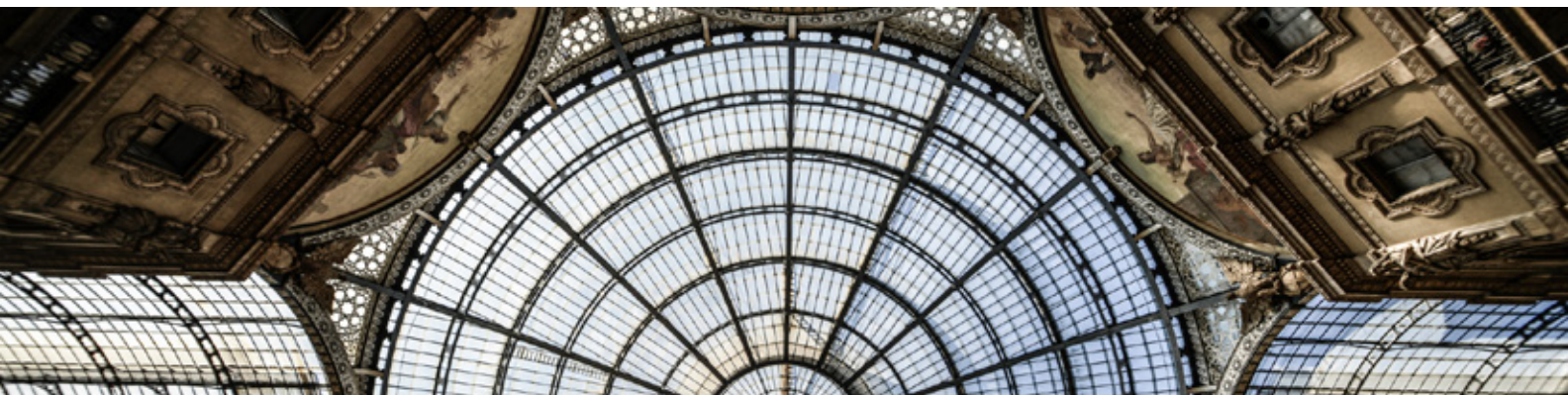
E-commerce and evolving distribution models have lowered barriers to entry, enabling new players to experiment — and compete — at scale. For example, Vigga A/S has created the first circular subscription service (i.e., items are used, returned and then recycled for other subscribers) in the world for children’s organic clothing. Traditional retailers are also adapting: Disney Store uses e-commerce as a way to actively engage a customer base who may never set foot in its theme parks.

Amid this disruption, retailers need agile, forward-looking leaders who can identify the organization’s next strategic opportunities. While agility and creativity can be difficult

to assess, we’ve found that executives who can adapt quickly and develop innovative solutions often have experience forecasting scenarios or proposing robust strategies based on limited information. An assessment of leaders’ Executive Intelligence can provide insight into their potential and ability to be successful in new, unfamiliar and complex situations — exactly the type of situations in which today’s retail leaders are tested.

Demand for linear competencies (e.g., pure merchandising or field sales) has given way to a desire for “best athletes” with broader experience as the operating environment has become more multifaceted. In order to find leaders who are nimble, able to manage complexity, bring a forward-looking perspective and foster a culture of innovation, some retailers may need to reconsider their traditional approaches to finding and developing talent.

If you would like to discuss these trends more in depth and their implications for your organization, please contact our global [Retail, Apparel & Luxury Goods Practice](#).



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We serve as trusted advisers to our clients, who turn to us for our retail sector and functional expertise, access to exceptional candidates, and understanding of the talent and marketplace issues that influence the recruitment process.

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