



## What Does 2017 Hold for Retail Leaders?

How are retailers competing in a world with constantly rising expectations? Is the industry doing enough to build a pipeline of talent that can respond to a changing marketplace? How can retailers attract top talent in a competitive environment? As we look ahead to the upcoming National Retail Federation (NRF) Annual Convention & Expo in New York City, we decided to explore a few of the issues we believe will impact the industry's leaders in the year ahead.

### **Data will be critical in creating more meaningful and distinctive customer experiences.**

With a more informed consumer than ever before, retailers are charged with providing a truly distinctive, seamless experience with a vast selection of products, almost instant delivery and top-notch service. As consumer expectations continue to rise, our retail clients are all grappling with the same issue: Determining how to use the immense data at their disposal to create more personalized customer experiences.

The vast majority of retailers struggle with cutting through the “noise” of an overwhelming amount of data to get at truly valuable, actionable consumer insights. Many will need to bring on more senior data and analytics leadership who can design a comprehensive strategy around data. They will also have to consider whether data experts should be embedded within functions and business units or operate as a centralized resource. One of the biggest obstacles to using data effectively for decision-making is the existence of organizational silos, particularly in larger retailers. In addition, retailers will need to establish processes that promote appropriate access to data, address the privacy and security issues, and ensure that data initiatives support the business' strategic priorities.

## Technologies like virtual reality and the Internet of Things have the potential to dramatically change traditional retail practices.

Lines continue to blur between the customer's offline and online experiences, demanding that retail leaders think in more entrepreneurial and creative ways about how to seize the opportunity. For example, virtual and augmented reality can be used to drive and track foot traffic in stores. Forward-thinking retailers have promoted use of the Pokémon GO app, in which players hunt characters that are overlaid in real settings, including their brick-and-mortar locations.

The Internet of Things is also a powerful force shaping consumer behavior. According to a 2016 PwC survey of U.S. consumers, 45% own a fitness band, 27% own a smart watch and 12% own smart clothing. Gartner predicts that 25 billion connected "things" will be in use by 2020. It is unlikely that retailers will find all the skills necessary to carry the IoT mantle within a single leader, especially as IoT continues to evolve and different capabilities rise in importance. Retailers may need to build a team of leaders with a wide range of skills and even forge non-traditional relationships to deliver on customer experience expectations.

## Retailers must focus more on the next generation of consumers — and talent.

With more than \$200 billion of annual buying power, millennials are driving industry-wide shifts. Last year, we saw how retailers have been responding to millennials' desire for top-quality, health-conscious products from organizations that share their social values, from Nike's East L.A. community store to Shinola's social responsibility efforts. These values are not isolated to buying preferences. They're also attributes this generation desires in an employer.

A key question retailers should ask themselves is: How are we thinking about millennial talent? Many organizations will need to ramp up their efforts in millennial recruiting and retention in order to ensure they have a pipeline of talent. They should also consider adopting best practices from other industries that excel at recruiting purpose-driven, next-generation talent, including open-concept work spaces, flexible work options, meaningful work and a commitment to social responsibility. Development opportunities are also a priority for this cohort, making robust training programs a powerful talent attractor.

## It's time to challenge long-held perceptions about talent.

In a rapidly changing retail environment, past performance is no longer a predictor of future success. Rather than ensuring candidates check all the typical boxes, retailers need to focus on finding senior leaders with strong strategic thinking capabilities who are able to manage complexity and make decisions with incomplete information. It can be challenging to measure these types of skills, especially when thousands of tools exist to assess people on all sorts of dimensions from IQ to personality to professional competencies. However, not all approaches are effective. The most effective and predictive assessments score leaders on a core set of leadership capabilities — for example, driving results and strategic thinking — against an objective scale so individuals can be compared to one another and to the requirements of the role.

We've also witnessed a dramatic shift in what it takes to attract senior leaders today. While younger executives continue to value opportunities for advancement, titles and compensation, many senior leaders in the industry are now forgoing those traditional perks in exchange for more stable roles.

*We look forward to continuing this conversation about emerging industry trends and their implications for retail leaders at "Retail's Big Show." 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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