



Generation Y: Why this powerhouse generation may hold the key to your retail success

Workforce strategies for attracting and retaining young professionals





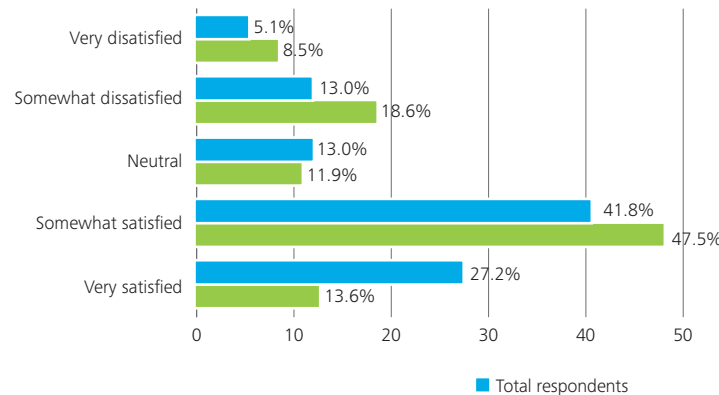
# Gen Y isn't anything like your – or your father's – generation

Most retail businesses are constantly replenishing their front-line, customer-facing positions, the ranks of which are often filled with young people who are in the jobs for the short term. At the same time, these companies are on the lookout for career track employees who are interested in field leadership positions and might make a career out of their store experience. The retirement of Baby Boomers over the next 15 years – even if somewhat delayed by the current economy – is still a reality that presents retailers with an important dilemma: how to fill the void those retirements will create in career-track corporate positions. Simultaneously, retailers will be required to address restocking the front-line customer-facing positions that often have a high degree of churn.

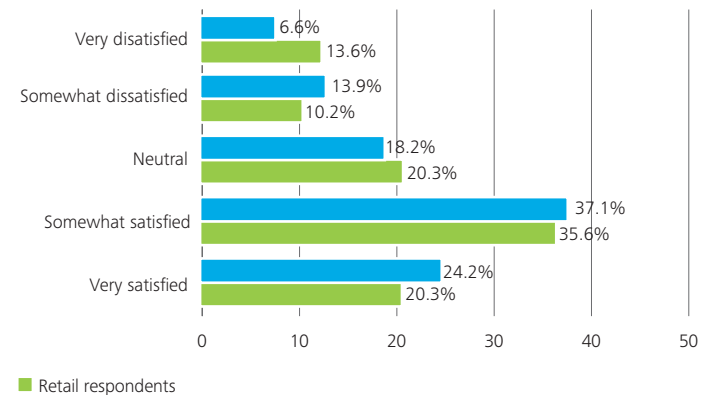
Based on our survey results, Gen Yers can be a vital part of both strategies. However, in a challenging economy, how can you afford to expend efforts toward developing this incoming generation? We believe that a decision to cultivate this generation of workers even in the midst of the current economic turmoil can position savvy retailers for the next upturn. Understanding what motivates Gen Yers is a critical part of this process. Gen Yers who choose retail jobs are in many ways similar to their peers in other industries, but they are very different in other important respects:

- **They are loyal but somewhat less engaged.** When asked how long they have worked with their current employers, 33% of Gen Y respondents who currently work in the retail sector indicated more than four years. Contrast this with only 13% of Gen Yers in other industries who had been with their current employer that long. However, when asked how satisfied they are with their current job, 27% of retail Gen Yers indicated they are “Very dissatisfied” or “Somewhat dissatisfied” as opposed to only 18% of their peers in other industries. Moreover, when asked how satisfied they are with career paths offered by their employers, twice as many retail Gen Yers (13%) were “Very dissatisfied” when compared to those in other industries (6%). Based on our conversations with retail clients across the United States, we think part of the dissatisfaction stems from a general restlessness among Gen Yers. They are not shy about comparing salaries and pay scales with other Gen Yers via social media, and they become impatient quickly with perceived inequities.

Please indicate your level of satisfaction with your current job.



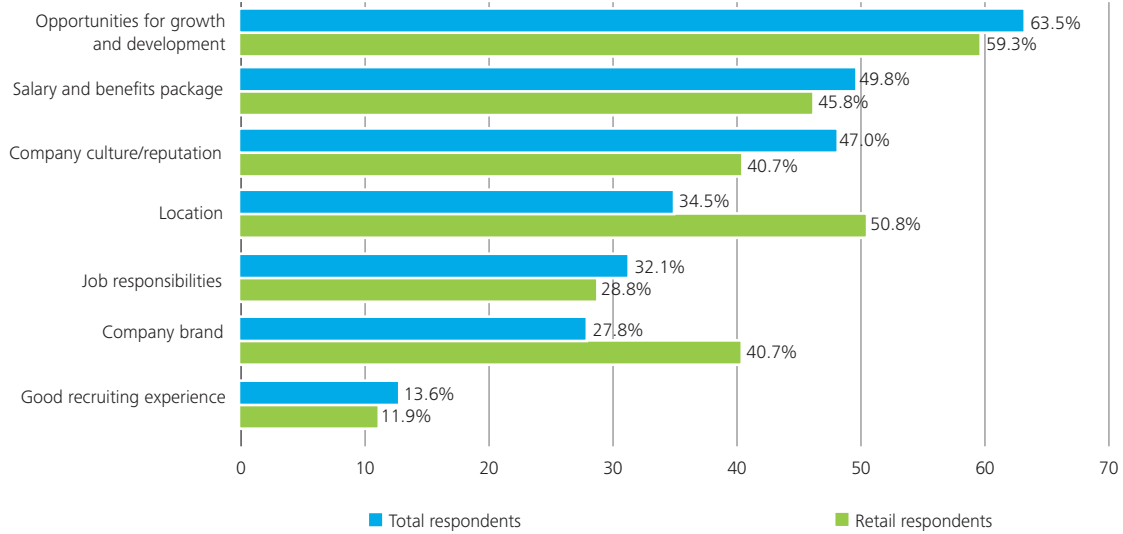
Please indicate how satisfied you are with career paths offered by your employer.



Data represents 59 respondents working in retail companies. These responses are from a total analysis of the views of 860 Gen Y employees (age 19-27) of Fortune 500 companies, across 20 industry sectors, who responded to an online survey distributed by Zoomerang and by Deloitte between November 12, 2008 – January 7, 2009. No Deloitte employees participated in this survey.

- ***They seek opportunities for growth and development – in the right locale.*** When asked to indicate the top three choices that influenced their decision to work for their current employers, Gen Yers in retail companies and their counterparts in other industries picked “Opportunities for growth and development” (59% and 64%, respectively<sup>3</sup>) as their top choice. However, while the second most influential factor for Gen Yers in other industries was “Salary and benefits package” (50%), Gen Yers in retail were more likely to choose a job according to “Location” (51%). We believe that for many retail Gen Yers – whether seeking short-term, front-line jobs or longer term career track opportunities – it is very important that the job they take is in surroundings that align with other aspects of their lives. This could mean they prefer proximity perhaps because of family, leisure activities, or other professional pursuits that are geographically sensitive.

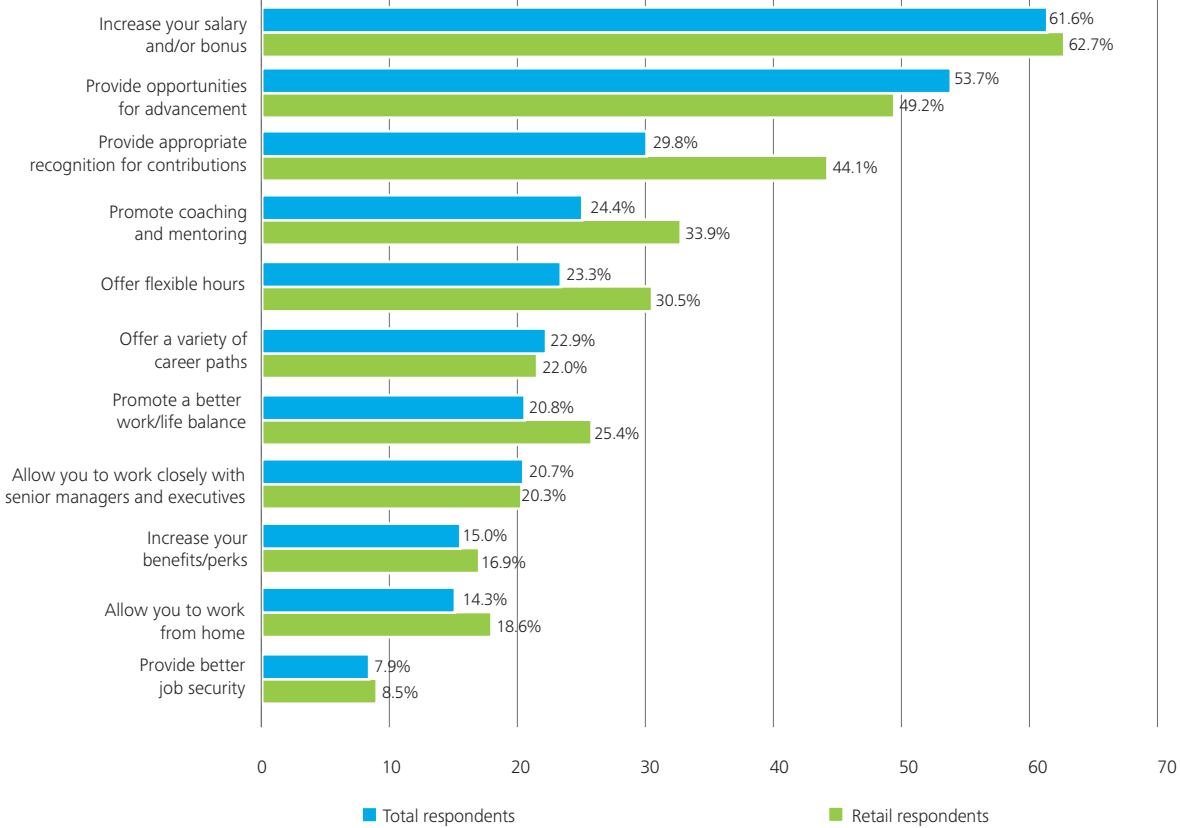
**What factors influenced your decision to work for your current employer?**



<sup>3</sup> This was a multiple select question, so the percentages may not total 100.

- Salary and advancement opportunities are important, but not the only factors motivating them to stay with an employer.** When asked to select their top three choices from a list of action items that their employer could take to retain them, Gen Yers across the board chose “Increase your salary and/or bonus” and “Provide opportunities for advancement” – not surprising, because most workers are interested in these benefits. However, the next findings were more interesting. Gen Yers in retail and their peers in other industries chose “Provide appropriate recognition for contributions” (44% and 30%, respectively), “Promote coaching and mentoring” (34% and 24%) and “Offer flexible work hours” (31% and 23%) as the next most popular actions employers could take to retain them. Gen Yers in retail clearly felt more strongly about these choices. We interpret this as evidence that even more than their counterparts in other industries, Gen Yers in retail are motivated by non-monetary factors in their decisions about where to work and for how long. This can be a critical factor for retailers in the current economy.

**Which of the following action items should your employer do to retain you?**



(Respondents were asked to select top three that apply)

# How can retailers capitalize on these findings?

In the current economy, many retailers are focused on reducing costs, managing cash flow, and right-sizing their organizations to make it through the storm. These efforts, however, will only take you so far. At some point, retailers must find ways to generate new sales. And we believe Gen Yers can be one part of that equation because of their ability to connect with others in their age group. This segment also represents an up and coming powerhouse in terms of consumer spending. As a result, we believe retailers should include among their critical priorities a continued emphasis on strategically developing their workforces – including the Gen Y segment. Those that do should be better positioned to take advantage of the next economic growth period.

What can retailers do to navigate the downturn while still developing the capabilities of their Gen Y employees? Here are a few ideas:

## ***Reinforce your image as high-value brand – both externally and internally.***

Many retailers enjoy an inherent advantage over other industries in promoting corporate brand, social responsibility, and supporting work/life balance for employees. The millions of dollars spent each year building and promoting brand among consumers serves the dual purpose of creating an impression in the minds of people who might be interested in working for a particular retailer. This is especially true when it comes to Gen Yers, who are widely known for their brand consciousness. You can build on this advantage by engaging younger workers earlier as leaders of sustainability and employee satisfaction initiatives. You can also leap ahead of less innovative companies by aggressively exploring technology-based initiatives, such as social networking, which appeal to the work and leisure preferences of Gen Yers. As you ramp back up for the next economic growth period, these types of activities can set you apart in your recruiting and retention efforts.

***Invite Gen Yers to the innovation table.*** Retailers that want to attract Gen Yers as consumers will first need to engage them as employees. Management must embrace young talent as a valuable source of information and connection to their Gen Y customers. By involving Gen Y employees in strategic product and customer service decisions – and tapping them as a fertile source of ideas on how best to reach their peers in the marketplace – you will be much better positioned to foster a culture of respect that extends to all employees, regardless of age or level in the organization. In addition, retail employers must rethink performance management and rewards systems to encourage rapid development of young talent and create new ways for seasoned workers to gain recognition through mentoring and knowledge sharing.

***Investments need to be made to retool the technological infrastructure and approaches many employers use to communicate and train within the workplace.*** For example, retailers that have not adapted for social media technologies are losing opportunities to gain valuable customer and employee input and to foster brand recognition and loyalty. Gen Y employees can lead the way to this new world of Web 2.0, where mastery of networking applications allows for sophisticated forms of influence, persuasion, and community building. Evidence of this is in the pivotal roles Gen Yers played in the 2008 presidential election through their skilled use of communications and social networking technology to expand awareness of the Obama campaign and, ultimately, encourage voters to go to the polls on Election day. They continue to contribute actively to the Obama administration today.

***Use a laser, not a torch, for short-term workforce reductions.*** Because retail organizations are stacked with front-line employees who tend to be younger, approaches to trimming staff can be stacked against Gen Yers who lack seniority and may not be top performers in traditional ways. This may be even truer among career track employees in retail organizations. We encourage you to limit customer-facing workforce reductions and to expand the criteria for reductions to consider your longer term Gen Y workforce strategy, keeping in mind the potential value of Gen Yers who are characteristically tech savvy, willing to take risks, and eager to innovate. The enthusiasm and creativity of Gen Yers can connect your company with consumers and help reinvigorate your older workers who may now be putting off retirement.

***Use talent management strategies to integrate Gen Yers into your workforce and boost organizational performance.*** Developing effective talent management strategies is a three-step process that includes aligning your talent strategy with your business strategies, using analytical data to understand talent needs versus the available talent supply both inside and outside your company, and differentiating your workplace by offering talent management solutions and career paths that appeal to the unique needs of an increasingly diverse workforce. Although retailers are naturally worried about the effects of the economic downturn, they also need to leverage the silver lining in the current crisis: the opportunity for individual companies to separate themselves from the pack by attracting, developing, and retaining high talent employees, including Gen Yers. Certainly, budgets for these activities are tight, even scarce. Yet the right talent management approach can help retailers cost-effectively distinguish themselves from their competitors.

# Leverage Gen Yers across your organization, both short and long term

Whatever your approach to Gen Y, it's important to start now, especially during the downturn. Because of the significant investment retailers make in brand-building and customer-centric strategies, they have a built-in advantage when it comes to promoting their brands among prospective employees. Retailers that use this advantage to retain top Gen Y talent and position themselves to attract and engage new crops of talented Gen Yers, along with their enthusiasm, creativity and technical capabilities, are likely to find that they will leap ahead of their less agile competitors.



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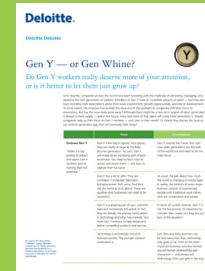


# Additional resources



## Retail Talent Evolution: How Retailers are Adapting in Today's Complex Environment

A report exploring techniques for developing a talent strategy that can help retailers survive the current economy and capitalize on the recovery.



## Deloitte Debate: Gen Y or Gen Whine?

Two sides of the argument, should companies step up their focus on Gen Y workers – and cater to their needs – or dismiss the issue as just another generation gap that will eventually fade away?



## Generation Y: Powerhouse of the Global Economy

Deloitte's snapshot of Gen Y work force attitudes makes clear that Gen Y presents both a huge opportunity and a huge challenge for today's employers.



## The Chemistry of Talent

(New ways to think about people and work)

An integrated look at today's compounding talent issues and highlights several innovative solutions that can help an organization build and execute a winning talent strategy.

For more information about this important issue and other Generation Y research, visit [www.deloitte.com/us/genY](http://www.deloitte.com/us/genY).

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