

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



Retailers employ more US workers than any other industry and the importance of recruiting, developing, and retaining this most valuable resource is more critical than ever. At the same time, retailers are at ground zero when it comes to absorbing the impact of credit deleveraging and reduced consumer spending, forcing many to manage costs through headcount reduction. To remain competitive—or even just survive—retail businesses must manage their talent pipeline more efficiently and effectively than ever.

Having the right talent can help retailers delight customers, differentiate from the competition, and achieve profitability and growth goals—all hallmarks of long-term success. Yet long-term benefits are highly dependent on managing talent costs and employee productivity effectively in the short term. This article will explore techniques for developing a talent strategy that can help retailers survive the current economy and capitalize on the recovery.

The changing retail environment

It might seem odd to be thinking about talent management at a time when so many retailers are laying off employees. But the reality is that talent management has never been more important. Although retailers might be facing a near-term surplus of labor, top-notch talent is always in short supply. And as with any change in the environment, retailers must first seek to understand the change and then adapt. The major changes impacting the retail workforce today include:

Economic change: Retailers everywhere are talking about the impact of the credit crunch on the economy and the fact that debt has finally overtaken the consumer's ability to spend. But while past economic crises have led to labor surpluses and a decline in real wages, this economic climate is marked by a shortage of qualified talent and real wages are soaring. The result is a need to more effectively recruit, develop, and retain top talent.

Generational change. As baby boomers prepare to retire, there simply are not enough Generation X workers to replace them—particularly in key management positions. Although the stock market dive might prompt some older workers to put off retirement or return to work, over time their retirement will drive substantial reduction in the overall workforce. As younger generations expand their presence in the workforce—and customer base—retailers must learn how to address their needs more effectively. Generation Y is already the primary source for new talent among retailers. They are characterized as confident, smart, self-motivated, and tech-savvy. But they also have very strong ideas about how things should be, and won't wait years for a chance to shine. They want to develop their capabilities and make an impact now. Of course, many older workers are inclined to view these young upstarts as spoiled brats who have not paid their dues. To succeed, retailers must learn how to manage these differing work styles.

Global change. When supply chains went international in the 1970s and 1980s, retailers got their first taste of globalization. In the decades that followed, many retail companies began to capitalize on the growing buying power of the global community through international expansion of their sales channels. This globalization trend gives companies access to a larger pool of revenue and talent; however, it also creates the extremely complex challenge of managing a global business and workforce.

Demographic change. As our society continues to become increasingly diverse, consumers expect a retailer's in-store staff to reflect that diversity. At the same time, the make-up of today's available workforce reflects a more balanced distribution of age, sex, ethnicity and sexual orientation. In fact, certain populations including women, the elderly, and Hispanics reflect a faster pace of workforce growth than ever before. Retailers that focus on diversity will be well positioned to capitalize on the demands of an increasingly mixed workforce and customer base.

The evolution of new retail capabilities

As retailers confront these dynamic changes impacting their business environment, they are also facing another generation of change in how they operate their business. In the 1940s and 1950s, most retailers were single-store operations, and decision makers often had direct contact with customers. In that environment, entrepreneurship and personal relationship-building were the key skills. Starting in the 1960s and continuing through the 1990s, retailing became much more corporate, with mass-market merchandising taking precedence over individual customer relationships. Since the late 1990s, retailing has made another great leap. New technologies and other business advances are helping retailers to retain the advantages of size and scale, while at the same time strengthening their relationships with customers. Many of today’s retailers rely on a diverse business model that includes multiple stores, multiple channels, and multiple geographies, and they are using tailored marketing and merchandising to better understand and address individual customer needs.

This new retail model closely aligns with the needs of today’s fast-moving global marketplace. However, it requires new skills and capabilities—as well as a new approach to talent management.

Before the Internet and online shopping went mainstream, retailers generally did not focus much attention or investment on information technology. But as retail businesses begin to understand the power of information to help them connect with customers and drive profitable growth, many find themselves behind the curve in hiring and developing people with technical and analytical capabilities. In particular, workers who understand customer-centric merchandising and can apply technology to enable multi-channel retail strategies are in great demand—and in short supply.

Exhibit 1: New landscape, new capabilities

	The 40’s – 50’s	The 60’s – 90’s	The 2000’s ...
The Business Model	<ul style="list-style-type: none"> One store with owner/operator Close to customers Merchandising based on direct customer feedback 	<ul style="list-style-type: none"> Corporate ownership Focus on a single, homogenous customer Merchandising based on artistic presumption 	<ul style="list-style-type: none"> Multi-store, multi-channel, multi-geography Technology driven Merchandising based on tailoring to customer & profitability
The Capabilities	<ul style="list-style-type: none"> Entrepreneurship Customer relationship building Rudimentary understanding of what is selling 	<ul style="list-style-type: none"> Fashion “sense” Vendor relationship building Process & policy After the fact “assessment” of what sold 	<ul style="list-style-type: none"> Ability to leverage technology Customer-centric merchandising Profitability analytics with predictive modeling Workforce intelligence

There is also a significant shortage of people with the analytical skills and business savvy to turn gigabytes of information into useful insight. To achieve this balance of “art” and “science,” retailers should consider developing their existing employees and attracting workers with new skills and capabilities from the outside.

Merchandising organizations are leveraging analytics to better understand profitable customer segments, appropriate pricing strategies, and optimal assortments. Marketing organizations are leveraging predictive models to more effectively manage ad spend based on historical performance. And stores organizations are leveraging new technologies to enhance the connectivity of employees and management in the store, communicate more effectively, and interface with the customer in more powerful ways. The underlying capability requirement is a more technology- and analytics-savvy workforce that is fully integrated and deeply connected with the customer.

Adapting through talent management

To assemble a workforce with the right skills and experience, retailers could benefit from a more strategic approach to talent management. The traditional approach that simply assigns human resources (HR) to a series of administrative tasks such as recruiting, training, and managing benefits is no longer enough.

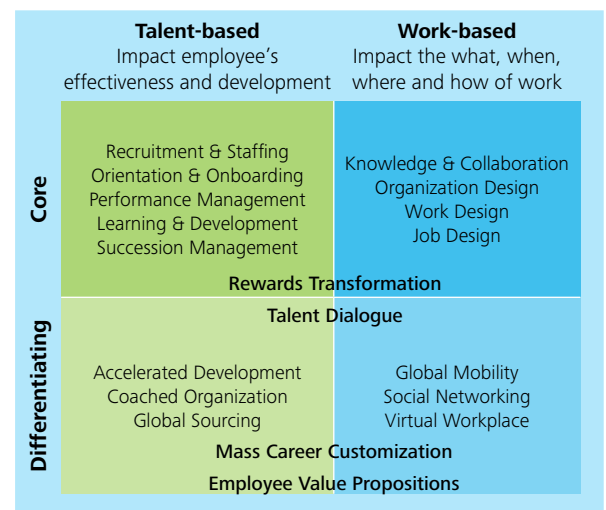
Although talent has always played a major role in retail, the latest research shows that talent management is fast becoming a primary driver for organizational success. A recent study reported that companies that spend 3.5 – 4 percent of their operating budget on workforce development are also in the top 5 – 10 percent of the best performing companies within retail.¹ Factors driving this trend:

- Retail jobs are becoming more complex and specialized, which requires new skills and talent
- Retailers are being forced to invest more time and money getting workers up to the required level of proficiency
- Increased recruiting and development investments make it even more important to retain people and maximize their productivity and effectiveness

¹ Grossman, Robert, “Blind Investment,” *HR Magazine*, January 2005

Business executives must work side by side with HR leaders to tackle these challenges strategically. An effective talent management strategy will encompass a broad range of solutions. Some will focus on developing talent and helping people do their jobs effectively; others will be concerned with improving what, when, where, and how work gets done.

Exhibit 2: Talent Management Solutions



Within this framework are the core solutions that all retailers likely think about and high-performing retailers master. These solutions run through the talent pipeline of recruiting, developing, deploying, learning, and performance management solutions that enable retail organizations to efficiently and effectively deploy people solutions across the business. Also included are differentiating solutions that can help a retailer stand out from the competition. These solutions focus on accelerating the development of talent and creating employee value propositions that support in the retention of top talent. Solutions will be different for every company, depending on its unique talent requirements and business needs.

Preparing for workforce change

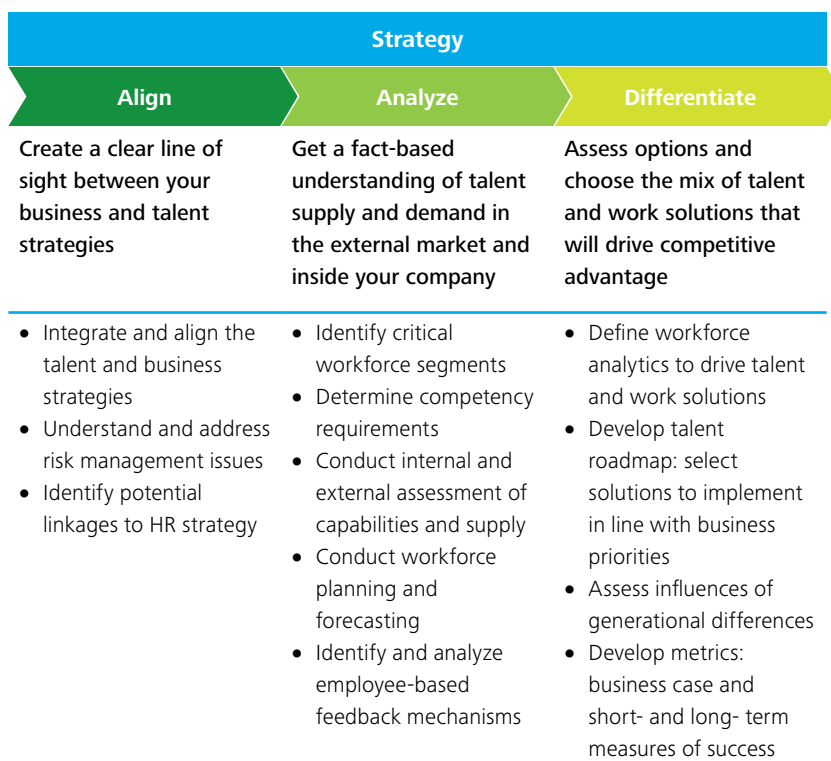
The right talent management strategy can boost an organization's performance—both in the short term and long term. Yet our research shows that only one out of two companies have even defined the skills they will need to be successful in the future.² Developing an effective talent management strategy is a three-step process, as demonstrated by Exhibit 3.

1. Align talent strategy with business strategy. HR must understand and respect the specific strategy and talent requirements for each business area, rather than trying to impose a one-size-fits-all approach. A talent strategy that doesn't align with business strategy is likely to be essentially worthless.

2. Analyze talent needs and availability. Business and HR leaders must work together to determine the company's talent needs in its stores and corporate offices, and then develop and execute a strategy to address those specific needs. It is essential to identify the skills for which high proficiency is required to support the business model. Retailers should not assume the skills required today are the same as in the past. This is particularly true when looking for people with technology skills to support the company's multi-channel strategy and achieve its marketing and customer experience goals. Taking the time to clearly determine the required skills is essential for future talent initiatives to be able to produce workers who can deliver the most value for the business.

3. Differentiate by choosing the right solutions. An effective talent strategy will offer solutions and career paths that can be tailored to the unique needs of an increasingly diverse workforce. Today's young workers have different goals and priorities than their baby-boomer colleagues. The same goes for women and men. In fact, every associate is a unique individual with different skills, interests, and work requirements. Retailers with flexible talent solutions have a distinct advantage when it comes to attracting and retaining the talent they need to compete and grow.

Exhibit 3: Three steps to effective talent management



Looking forward

Retailers everywhere are worried about the economic downturn and the timeframe to recovery. They also face unprecedented consumer and workforce challenges spurred by globalization, generational shifts, and increasing social diversity. However, as with any period of significant change, the current crisis offers tremendous opportunities for individual companies to separate themselves from the pack.

Retailers can differentiate themselves by attracting, developing, and retaining high talent employees. But they also need to spend their money wisely—especially in today's economy. The right approach to talent management can help on both counts. By developing an effective talent strategy, and establishing the appropriate solutions and capabilities, a retailer can position themselves much more effectively to overcome today's short-term challenges, as well as for long-term success.

² "Competing for Talent Survey," Deloitte Consulting LLP, February 2008

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