Customer Centricity's Impact on the Workforce

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The power of the consumer

Consumers have much more power in the retailer-customer relationship than they used to have, and there's no end in sight. When Girl Scout cookies have MySpace pages, when your customers know about your sales before your store managers do thanks to web sites like BlackFriday.net, and when a consumer can compare product prices and availability through a Google product search on their phone – while standing at your shelf… the balance of power in the retailer-customer relationship has fundamentally shifted. Consumers have it, and retailers don't.

Retailers have responded by moving away from a product-centric strategy, where it's all about the right product, right place, right time, right price. The new mantra is all about the customer: the right interaction and the right service for that customer's objective at that point in time. The successful retailer of the future is less concerned with how they want to sell, and more concerned with how consumers want to buy.

Implications for the workforce: human interaction is paramount

In a study sponsored by Kronos, Retail Systems Research (RSR) set out to discover how far customer-centric strategies have come in impacting the workforce. We conducted an online survey in August and September of 2007, and tallied the results of 160 respondents. The full report can be downloaded at www.rsrresearch.com.

Most of the effort around customer centricity – while done in the name of the customer – has been focused on things that customers don't see: getting more granular data about customers, creating customer segmentation, and creating more localized assortments. While these may eventually result in a more personalized and relevant – and therefore differentiating – experience, it is ultimately up to the employee in the store to be the arbiter and facilitator of that experience. Virtual worlds like Second Life may be emerging as selling channels, but in the solid world of brick and mortar, human interaction is still paramount.

The changing role of the employee

As information about products becomes more transparent, retailers have responded with more complex offerings – bundles of products and services that require employees to know a lot more about a given product or category than they ever did before.   Trouble occurs when consumers have more access and time to absorb product and competitive information than employees. The customer service experience is jeopardized the minute the consumer walks in the store. Other consumer trends exacerbate this problem: consumers increasingly shy away from "expert" opinion and increasingly value recommendations when they come from their friends and peers. Jaded consumers saturated with marketing messages increasingly give greater weight to "genuine" recommendations or opinions, rather than ads.

Combine that with questions over exactly how technology will play a role in the shopping experience (for both the employee and the customer), along with high turnover and increasing labor costs, and it's clear is that the role of the workforce in a customer-centric organization is going to have to change.

A two-part response: a specialized workforce and the tools to manage it

To respond to these challenges, both the workforce and the tools to manage it need to evolve. The workforce needs to become more specialized. This research has established that for many retailers, this is already happening, whether planned or not. Two types of employees are needed in stores to address the level of specialization required to support customer centricity:

- **Front-line service.** These employees are the face of your brand to your customer. They are your brand advocate. They will be most effective as enthusiasts or "alpha consumers" for whatever category they sell, because it is this kind of enthusiasm that creates that sense of "genuineness" among customers looking for people "like them." Technology will certainly need to play a role for these employees, primarily in sales assistance.
- **Back room/operations.** These employees enable front-line service employees to focus on the customer. They must be able to respond to demand and ensure that shelves are stocked. They need to be measured on efficiency and a tight set of metrics. Technology will also play a role for these employees, but primarily for enhancing productivity.

The most important thing to remember is that these types of employees need to be managed by the same people (store managers), but completely differently. That's where technology comes into play – along with those lofty goals that our survey respondents express in our research. The employee who is a customer service star can indeed be an asset – but only if you invest.

The critical role of tools

Nearly two-thirds of respondents said that their workforce is critical to their customer service strategy, so it's no surprise that the biggest opportunities for the role of workforce management are driving sales and improving customer service. But there is also the need to improve workforce management capabilities – survey respondents indicated that recruiting, hiring and on-boarding, forecasting and scheduling, and task management all have a significant opportunity to contribute value, but also represent the biggest gap in capabilities.

To take advantage of these opportunities, retailers need to overcome cultural biases, particularly regarding the capabilities of store managers. Many survey respondents reported management perceptions that store managers should be able to make sophisticated decisions without the help of a lot of tools, and that corporate departments overwhelm store managers with too many communications from too many sources.

Overcoming these barriers requires a mindset shift about stores: store managers aren't superheroes, though they are often asked to play the part. This wears on everyone in the store, from the manager to employees to customers. At the most basic level, store managers are running a business. They may not control all of the things that influence the performance of that business – they don't select all the merchandise or decide how much of it to get – but they are effectively a profit and loss unit within the retailer, and their profit (or store contribution) is critical to the success of the enterprise. It makes sense to provide them with tools to manage their business, and to enhance their ability to manage the one thing they do control: workforce operations. To expect store managers to manage this part of the business using spreadsheets, instinct, whiteboards and experience is folly.

Perhaps because of these cultural barriers, retailers have been slow to invest in workforce management technologies. But larger retailers (those with more than 10,000 employees) are on their way to redefining their capabilities, through investments in recruiting and on-boarding technologies, forecasting and scheduling, task management, and labor analytics.

Summary

Our research found that, after long years of being focused on cutting costs, labor budgets are finally back on the rise. Some of that is due to increasing labor costs, but many retailers are making a conscious decision to invest in store hours – or at a bare minimum, to move from cutting labor hours to trying to better match those labor hours to demand. The biggest challenge facing retailers today is to figure out how to best deploy those labor hours in order maximize the return on the investment and to deliver a truly customer-centric experience.