

— RETAILERS —

REFLECT

THE FUTURE OF STORES:
Management for 2021 & Beyond

When was the last time you did something for the first time?

It's hard to imagine now, but it wasn't too long ago when scores of retailers **first tried** rolling out the services that we've come to know and love—and even expect (cue curbside pickup). In fact, it took a global pandemic for retailers to act toward offering these services at scale. The need for speed lit a growing flame.

In hindsight, many rollouts were “messy,” at least in a historical sense, but served as productive learning experiments that led to incremental improvements. In aggregate, one could argue that these rollouts changed the industry.

These days, if we asked a retailer when they last tried something new, they might answer “last week,” or an even more telling, “two hours ago,” and it wouldn't be surprising. The high-pressure stress to be constantly adapting is *relentless*.

And you know what? It's increasing, not decreasing, as a new era rolls in before our eyes. Which pandemic-born behaviors will take anchor with consumers? Which will fade with time?

A test-and-learn approach continues to prevail because no one has a crystal ball into the post-COVID economy. This approach is foundational to the concept of Agile, a methodology that's pollinated from its humble beginnings in software development and has taken root in nearly every

industry. Moreover, since the pandemic began, 72% of 800 large retailers surveyed said they are now trying to work in a more agile way.¹

The new competitive advantage for retail? Agile Stores.

WHAT DOES AGILE LOOK LIKE?

Store managers had almost no choice but to embrace the unknown when the COVID-19 pandemic struck. They were forced to be nimble and react to government policies, which often varied by geography or store locations, sometimes overnight.

Store and district managers had to adapt to varying mask mandates, closing orders, capacity limits, screening requirements for employees and customers, quarantining of returned items, pre-restock, installing hand sanitizer stations... you name it. Oftentimes, these demands were in addition to their already huge responsibilities of implementing new customer service solutions and successfully running their stores.

But as the term “post-COVID” becomes more of a reality across highly-vaccinated regions, some retailers are struggling to see how their Herculean efforts could be sustainable in the long-run.



Amazon Dash Cart // Image Courtesy of Amazon

WHY IS AGILE IMPORTANT FOR RETAIL?

Retailers have also confirmed that opening a new physical location is correlated with e-commerce sales lifts. Today, customers are so truly “omnichannel” that the term is simply being replaced with “commerce”. Shoppers are channel agnostic and all channels matter. So why is agile important for retail stores? Two key reasons:

1. Agile is foundational to omnichannel customer experiences

Omnichannel customer experiences can only be delivered by an agile backend and operations management approach.

Moving forward, the industry “winners” will be the retailers that continue showing agility from HQ all the way down to the individual store level. And while agility might not look like it did during the height of the global pandemic, it will always depend on retailers’ dedication to testing, measuring and learning.

Ideally those processes will be powered by integrated technologies with predictive analytics; in other words, artificial intelligence

that recommends best actions. But not just any actions - ones that are personalized and prescribed based on the store. To illustrate, it would look something like this: A manager executes an action and reports the learning into the system, which automatically shares the learning back to HQ and feeds the data into its models across its network of stores. This process creates visibility into operations, as backed by data, while the technology is constantly scaling the best learnings for improving ROI and customer experience over time.

2. Agile practices work well in ecommerce... and stores can learn from that, as well

If we look at e-commerce, a lot of its “wins” or conversions are from tweaks and incremental improvements in personalizing the experience. Can a store act like this too? The answer is a resounding, “Yes!” Agility is about adapting through incremental improvements that lead to significant impact over time. Let’s next explore three retailers that embody the “Agile Stores” movement.

Retailers Leading the “Agile Stores” Movement



Nordstrom Local Upper East Side // Image Courtesy of Nordstrom

Nordstrom: Using Agile to Deliver Amazing Customer Experiences

One of the most mature retailers leading the agile movement is Nordstrom. A few years ago, it announced its market strategy to “engage with customers through better services and greater access to products no matter how they choose to shop.”² After a successful launch in its largest market, Los Angeles, Nordstrom reported a:

- 4x increase in demand for Buy Online, Pick Up In-Store,
- channel adoption (e.g., online-only customers shopping in stores and vice versa), and
- 2.5x more spend on average from customers who visit Nordstrom Local.

Under its newer market strategy model, customers can return items at Nordstrom Local stores. These locations process returns eight days faster and, in turn, enable faster sales of returned products. Given the LA market test,

Nordstrom said, “We are happy with the results, but we are continuing to learn.”

More recently it announced plans in 2021 to expand its strategy to 10 more markets across the United States.

Chris Walton, retail influencer and host of the OmniTalk podcast, framed this strategy well when he said: “the whole idea here is, again, not to think by channels but to think by market—similar to how an ecommerce venture would think about its cohorts of customers.”

Overall, Nordstrom’s market strategy is an agile approach to omnichannel. Nordstrom is serving its customers based on their specific and unique market needs - whether rooted in different regional preferences of the east versus west coast, style trends, mobility of the city, demographics or other variables.

Target: Embracing Risk with Agile = Being Rewarded with Market Share

Target might just be the poster child of what it means to be an agile retailer. Target was several years into its transformation journey when the COVID-19 pandemic turned the retail industry on its axis. Fortunately, the investments Target made in technology-based innovation prior to the pandemic set the retailer up to expedite new capabilities across its stores and channels when the time called for it.

Case in point: Drive Up. In 2019, Target implemented its same-day pickup service, Drive Up, in select stores across all 50 U.S. states.³ The company first introduced Drive Up a year prior after testing the service in its hometown market of Minneapolis-St. Paul. Although contactless pickup options were not yet a priority for most retailers, Target's customer-centric approach to innovation led the retailer to scale its Drive Up service in less than two years' time.

Just a few months prior to the onset of the COVID-19 pandemic, Target rolled together its personalized discount program, Cartwheel, its social-savings app and its mobile app into a single app called Circle. With loyalty perks, coupons, and localized features, Target's Circle is now a leader in mobile apps. Customers can order products from their local store, see updated inventory counts in real-time, notify the store when they are on their way to pick up an order and be automatically checked in when they arrive. Coupled with the CX improvements the retailer has made to its mobile app, Drive Up has become one of Target's best-rated services.

In result, Target's 2020 sales grew by more than \$15 billion, which was greater than its total sales growth over the last 11 years combined, indicating that Target will not only survive the pandemic, but it is also positioned to exit the COVID-19 crisis stronger than ever.⁴ Because Target laid the groundwork leading up to the pandemic, the retailer was able to seamlessly respond to the increased demand for contactless pickup and can now hit the ground running on its vision for the future.

"Target started investing in mobile technologies long before the pandemic and that's why they were able to achieve all they did in 2020," says Ricardo Belmar, a retail analyst with decades of experience helping brands transform their businesses. "Retailers that were playing catch up in 2020 now have an opportunity to continue moving beyond that point."

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Best Buy: Using Agile to Become Truly Omnichannel

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10 miles of a Best Buy
store.

Over the last decade, Best Buy went from nearly going out of business to reevaluating the role of its physical stores and how it builds customer loyalty.

As Robin Lewis of The Robin Report explained, “When Hubert Joly became CEO of Best Buy in 2012, Best Buy was being pummeled by Amazon on one side and Walmart on the other.” In fact, this pummeling is precisely why Best Buy announced its Price Match Guarantee in 2013 to compete with both local retailers and major ecommerce players like Amazon.⁵

“With incredible agility and a strategic vision, Joly transformed the model into a one-stop, multi-branded shops-in-shop, run by experts who are educators who inform and interactively personalize the experience. This is a powerful niche that differentiates Best Buy. New CEO Corrie Barry inherited a great business and is taking Joly’s work to another level.”

As Robin points out, part of Best Buy’s success is how it delivers on our consumer desire to shop and compare products in person while also enjoying direct access to product experts—all while getting the best price. During the global pandemic, Best Buy reignited consumers’ confidence by proving that it’s both responsive and dependable. How did Best Buy do it?

Well, it’s important to note that 70% of Americans live within 10 miles of a Best Buy store.⁶

The retailer was able to outshine Amazon with its advantage of physical stores and better serve consumers with the electronics needed to work from home.

And its hard work has paid off big time. Today, Best Buy is transforming roughly 25% of its U.S. stores into online order hubs and micro-fulfillment centers to meet its higher e-commerce demand—40% of its sales in 2021 are from online purchases, up from 19% in 2019.⁷

In response to this shift, CEO Corie Barry announced in November 2020 that it’s, “Positioning employees to serve customers based on need, irrespective of channel.” By altering its workforce and doubling down on digital efforts, Best Buy continues to realign itself to meet customers changing preferences.

In a podcast with *RETHINK Retail*, ThinkUncommon’s Co-Founder Andrew Smith said he would advise retailers to “rethink how your business operation needs to change, your capital allocation process needs to change, how your stores are run, your digital channels are run, et cetera, to be able to remove friction every way you possibly can so that your business can change quickly. Because that **agility and ability to change at pace is kind of the biggest existential thing facing retailers right now.**”



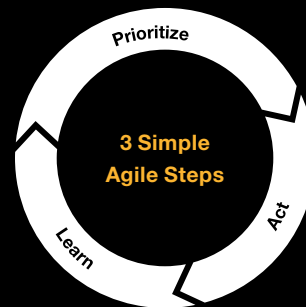
Unpacking the **New Realities** of Store Management

Data is only a starting point

Data in retail is like glitter in the craft world—most retailers have data floating around everywhere but are not making the best use of it. The key is to make data shine by acting, tracking and measuring accordingly.

“HQ must make it simple for the Field. Everyone is swimming in data, data isn’t the answer, the data must be translated into clear insights, and then those insights must be translated into recommendations. This can be automated, so all the store associate needs to do is react.” - Dan Goldman, vice president of strategy & business development at GAP Inc. (former global head of strategy at The North Face), told *RETHINK Retail*.

Once a store manager or associate reacts, the next (and often overlooked) step is to report the outcome. Below you can see this process illustrated as > prioritize > act > learn > prioritize > and so forth:



Quorso's "Agile Stores Loop"

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Ideally, the outcome would feed into a retail technology platform smart enough to learn from the cause/effect data and incorporate those

learnings into its future recommendations. **Action over insight**,⁸ is more important to creating Agile Stores that generate results over time.

What This Means for Retail

In his NYT bestselling book *Atomic Habits*, James Clear supplies many examples of how “small changes drive remarkable results”. Improvement in stores seems to follow a similar mantra. At first glance, a lift of \$165/week sounds insignificant. But these improvements are small and easy to do and can add up to remarkable results.

Quorso, the global technology leader for Agile Stores, provides an example based on realistic results achieved by its retail clients:

Each week a store manager does 3 Missions, which each result in benefits lasting a minimum of 8 weeks (about 2 months). After 2 months, the compounding result is a lift of \$4,000 per week or upwards of \$200,000 per year.

The core idea is that **small, yet rapid, prescriptive actions lead to impressive results.**

80/20 Rule is too Simple of a Concept

In 1896, economist Vilfredo Pareto developed “Pareto’s Principle,” which says that 80% of consequences come from 20% of the causes—in other words, there is an unequal relationship between inputs and outputs. Over the years, this principle has become highly popular and widely accepted in the business world. But some business leaders suggest it’s time to rethink the concept.

David Katz, chief marketing officer of Randa Accessories, a billion-dollar company that manufactures, distributes and markets apparel and accessories, claims 80/20 is no longer the rule in today’s consumer market. Katz’ perspective is based on his success implementing a roadmap based on a 60/25/15 split, which helped grow revenues five-fold.⁹ In an interview with *RETHINK Retail*, Katz said, “Everyone is focused on what is changing... don’t forget to focus on that which is not changing: customers will always want faster, better, greater value and less friction. Win by providing these.”

Building on this idea is Ron Thurston, vice president of stores at Intermix and author of *Retail Pride*, who agrees that the “80/20 is too simple of a concept in today’s environment because, as COVID showed us, not all challenges are created equally.”

Thurston added that agility in store management across a fleet of stores was challenging during

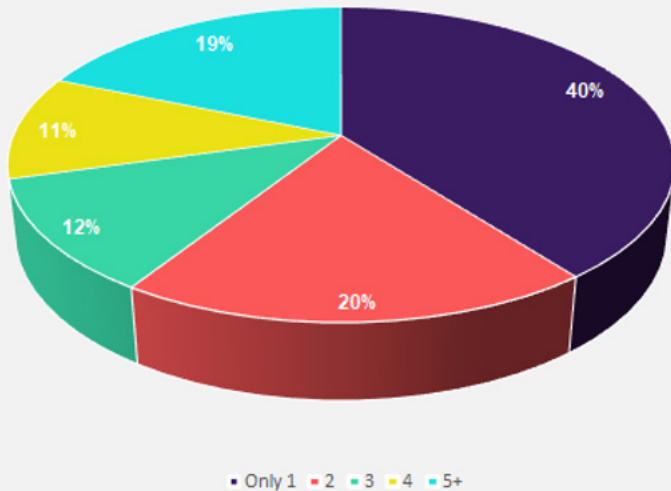
the pandemic, especially for U.S.-based retailers, as they needed to react to:

- government mandates that varied by geography
- people migrating away from major cities and into the suburbs, which led to entirely new customer bases and/or significant declines in the best-performing stores
- changes in how customers shop, for what, how often and where

In retail environments, the best mix of “inputs” varies from store to store. This variability supports the idea of **store networking over central instruction**,¹⁰ i.e., the center handles setting important, company-wide goals. However, each store faces its own challenges on the ground and therefore needs the flexibility to set their own priorities too.



CASE STUDY



The Data Science team in Quorso's Agile Stores Lab revealed that every single store is likely to have different areas they need to focus on to improve. This finding was backed by their analysis of over 22,583 Sales-related Missions over a 3-month period across 3,000+ stores. Over 80% of potential Missions surfaced at only 4 or fewer stores.

Therefore the 20% of effort driving 80% of results at the flagship store might differ from a smaller local store. Likewise, 80% of lost sales might result from a different 20% mix of issues depending on the store. It's key for peers closest to the problem to collaborate to best fix them.

What This Means for Retail

The conclusion we can confidently draw from this study is that **action needs to be localized at the store level**. This concept is key to discovering and unlocking value within stores. Retailers need to focus their analysis and insights not just on broad brush themes but also on the store-specific issues.

Stores, Store Managers and Customers **Aren't** Created Equal

"Adaptability is about the powerful difference between adapting to cope and adapting to win," according to business strategist Dr. Max McKeown.

For retailers, adapting to win is the ultimate power move—we saw that play out with Target's head start on building its omnichannel capabilities years before a global pandemic demanded it. But of course, it is easier said than done. The best way to "adapt to win" is by feeding store-level learnings, from various tests/actions, back to HQ and changing plans on the fly to accommodate individual store ecosystems.

A LENSE, FROM EXPERIENCE

Are stores able to act fast without making wrong decisions?

"In my experience, stores locally or regionally have the best ability to react and take action based on their individual situation. So long as a company sets up corporate guidelines (framework) whereby actions still align with a brand's ethos, then local actions can be fast. The problem is when HQ takes decisions for all strategies and all locally presented actions must first get approved before being implemented.

By the time this process happens an opportunity may have been missed. This sort of process does not empower local leadership. Empower teams to: try and test local actions—track results—if results are good then report back up the chain of command and hope the ideas can get implemented in other areas.”

– Douglas Mandel, a luxury retail veteran who led Dior Couture in Europe and North America and has experience in fashion as a brand creator and designer.

While localization is a great first step, it's even more important that these local learnings are fed back and used to inform, adjust and refine longer-term plans. Retailers must value **learning and adapting over following a plan**.¹¹ But how can retailers develop a framework that encourages testing local actions and tracking the results to HQ?

The answer is threefold: through culture, prescriptive actions and feedback loops. The latter two can be supported by the right A.I.-driven technology platform — one that ingests retailer-owned data and turns out hyper-local prescriptive actions for each store.

Quorso, the global leader in Agile Store management technology, calls these actions “Missions.” Missions empower store managers to take confident action without the burden of analyzing dashboards or data themselves. And the platform goes one step further - a step that is often overlooked. Once a store manager tells Quorso which missions they took and how each worked, this feedback is automatically sent to HQ. This level of data drill-down to each mission is incredible; it's how Quorso's engine measures and learns from Missions accomplished to then scale the ones that work. This personalization and guidance across a network is what enables the Agile Stores of the future.

What This Means for Retail

It's not enough to simply push tasks and information out to stores. **Having a proper**

feedback loop between the field and HQ is essential for sharing learnings and making sure that central initiatives are always focused on the most impactful in-store issues.

Data and insight accessibility is more important than ever

Unbelievably, most store managers spend upwards of six hours per week analyzing, interpreting and reporting on data. Unfortunately, these same managers are already stretched too thin and, arguably, their time would better be spent working directly with their teams on improvement activities that drive ROI. Therefore, improvement activities should be recommended to managers, not the other way around.

“Ensure the insights from the new data are VERY easy to read. Visualization is best – don't send them searching for an answer and don't include information that doesn't directly correlate,” said Connie Cartmill, retail leader and former executive vice president of retail/operations and customer experience at Lucky Brand.

If retailers can free up store managers' time by automating the analytical work and removing some of the guesswork, managers can refocus on their core responsibilities of supporting teams and creating remarkable experiences for customers.

What This Means for Retail

Creating visibility across store networks lets store managers become more empowered, **engaged humans over compliant task-doers**.¹²

Retailers can—and should—remove barriers to engagement by investing in areas that reduce the analytical work needed from managers. In fact, doing so fosters engagement and shifts focus back to the customer experience. With the right solution, retailers can also improve motivation by gamifying progress across store networks.

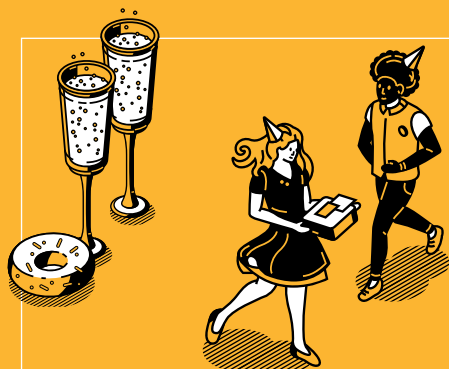
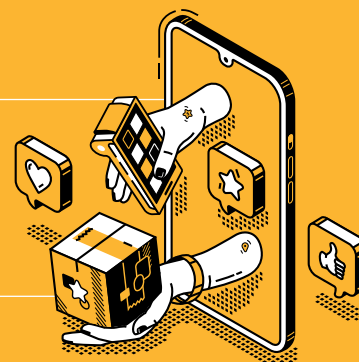


Key Takeaways for Retailers from Quorso CEO Julian Mills

Julian Mills, Quorso's CEO, has worked with some of the country's top retailers in accelerating their path to Agile. Here are his Top 5 Tips on how to get going and the impact you can expect to see:

01 Start with Sales

Nothing excites your Store Team like selling more. Use that DNA to your advantage by focusing next-best-actions initially on driving Sales. You'll soon see stores boasting about who is selling most! **Expect your sales to increase 2%+ in 2-3 months.**



02 Make it Fun

Store Teams love your praise. When a colleague hits a home run (e.g., doubles cookie sales in a week by improving signage), celebrate! And make sure other stores see your love so they feel inspired too. If fewer than 95% of stores are taking action each week, you're probably not making it fun enough.

03 Learn from What Doesn't Work

Not every action a store takes actually works. That's just life. In fact, if 85%+ of the thousands of next-best-actions your store teams complete improve performance, that's pretty good. Importantly, though, don't criticize colleagues when something doesn't work. Instead, use the opportunity to learn and share another thing not to do!



04 Don't Forget Your District Managers

Your District Managers are your most valuable and underappreciated resource for driving change. Your Store Teams will look to them as role models and for guidance. Explain to them how they can run Agile store visits and support the store teams.



05 Perfect the Process before you Scale

Agile is about creating a replicable process to drive store performance: prioritizing the right actions, measuring their impact, learning and scaling what works. Within a few weeks, you should see stable engagement and improvement metrics emerging (e.g., 95% of stores launching actions and a \$250 a week improvement per action). Once these metrics are adequate and stable, you're ready to scale. Until then, keep refining things.

In Conclusion

As most industry folks know, stores are not dying but stores are evolving. According to multiple sources, approximately **75% of global retail sales will still take place in store in 2024**. And many retail pundits predict a “retail renaissance” period with people flocking to stores over the coming years.

We reached out to the Host of “The Retail Transformation Show,” Oliver Banks, who said it best, “We all know the phrase ‘retail is detail’ and appreciate that there is variation across the store estate for many reasons. However, until now, it has been difficult to define and execute an operating model that can feasibly customize and control the detailed actions that are needed on a store by store basis, instead relying on the experience and instinct of individual managers. But retailers that have taken inspiration from Agile methodologies are able to quickly learn and adjust their operations at scale, and are seeing some incredibly exciting growth as a result.”

Therefore, the biggest competitive advantage for retail operations is enabling Agile Stores.

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Entertainment and novelty are also important, but agility takes precedence because knowledge is power.

Yes, a retailer could assume that increased revenue is tied to its newly launched in-store experience, but correlation does not equal causation. Imagine the sheer power of using empirical evidence to understand why certain actions drive ROI versus others, and then using predictive analytics to optimize actions across a fleet. This is being done now by some of the world’s most successful retailers using Quorso, the global technology leader for Agile Stores.

Endnotes

¹ Bain & Company: “Agile Retail during a Time of Crisis”, June 26, 2020

² <https://press.nordstrom.com/news-releases/news-release-details/local-market-strategy-qa-ken-worzel>

³ <https://corporate.target.com/article/2019/08/drive-up-50-states>

⁴ <https://corporate.target.com/article/2021/03/q4-fy2020>

⁵ <https://www.forbes.com/sites/abrambrown/2013/02/19/best-buys-price-match-guarantee-a-smart-but-very-late-salvo-against-showrooming/?sh=38fb73d42896>

⁶ <https://corporate.bestbuy.com/best-buy-kicks-off-holiday-season-with-free-next-day-delivery-on-thousands-of-items/>

⁷ <https://www.cnn.com/2021/02/25/business/best-buy-store-closures-workers/index.html>

⁸ Quorso’s ‘Agile Stores Manifesto’ value

⁹ <https://medium.com/swlh/moats-boats-bridges-a-1-billion-innovation-roadmap-c354c0b1d30a>

¹⁰ Quorso’s ‘Agile Stores Manifesto’ Value

¹¹ Quorso’s ‘Agile Stores Manifesto’ Value

¹² Quorso’s ‘Agile Stores Manifesto’ value



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