

Sales staff crucial to retailers' customer retention

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In a retail world focused on omnichannel strategies, product and service innovations, information-technology investments and technology-enabled stores of the future, winning retailers are taking a new look at their store labour models and budgets.



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Store employees represent one of the biggest contributors to the success or failure of brick-and-mortar stores.

In many ways, they are a retailer's most powerful asset.

Survey after survey shows that customer service in stores is the top factor affecting customer advocacy. Across retail sectors, an employee's availability, knowledge, advice, assistance and friendliness exert a stronger influence on a shopper's likelihood to recommend a retailer than product assortment, the shopping environment and even price.

On the flip side, poor service is a major contributor to customer defection. When Bain & Company recently surveyed shoppers on the subject, more than 25% of their top frustrations were due to bad experiences with sales staff.

As retailers build omnichannel strategies that require them to balance the needs of digital and physical channels, and as they grapple with rapidly rising labour costs and service requirements, they feel an increased urgency to revisit store

labour, which represents more than half of a typical retailer's selling, general and administrative expenses.

This comes at a time when retail employees' jobs have grown more demanding, with new responsibilities such as searching online for out-of-stock merchandise and new technologies such as mobile checkout platforms or smart kiosks.

Also, retailers' ability to spend on store labour is now under intense pressure from wage inflation, declining traffic to physical stores and the need to fund digital investments.

The instinct for many retailers is simply to make across-the-board cuts in line with declining traffic and store sales. But fewer hours can hurt the customer experience, resulting in increased customer defections, thus further reducing sales productivity.

This cost-cutting loop of doom can create devastating consequences. On the other hand, taking a more thoughtful approach to store labour can lower costs by as much as 15%, while keeping customers loyal.

Companies that successfully transform their store labour operations for retailing's new realities benefit from a three-step process: they invest to clearly understand what matters to their customers; they zero-base their store labour model (activities, processes and organisation); and they mobilise for change at the front line.

Companies with leading customer advocacy outgrow their competitors by more than two to one. For many retailers, the hard part is figuring out which of the dozens of customer touch-points matter most to customers and need to be stellar, as well as which of them are least important - and thus ripe for cost reduction.

A US department store surveyed its customers and then tracked time spent on various store activities. Among its findings: making employees available in fitting areas had relatively little effect on customer advocacy.

The store diverted resources away from such less-valued activities, freeing up time for activities that had the most positive effect on the customer experience, such as offering knowledgeable advice and helping customers find specific items. The change delivered a double effect: it lowered store costs and boosted customer advocacy.

It's time to zero-base. Often, when retailers think about budgets, they start by looking at what they did last year. They adjust 2%, 3% or whatever level they need to compensate for changes in store sales and costs.

In a swiftly shifting retail world, the best companies zero-base. They start with a clean slate and determine the right mix of employees, the right scheduling and forecasting, and the right processes and activities. They set the zero-based staffing for a store at one customer and build from there, redesigning processes to take advantage of technology to improve productivity.

A US apparel retailer cut store labour costs 10% in part by improving back-end processes and redesigning activities to maximise high-quality, customer-facing time. The retailer's employees were spending significant time setting the floor, cluttering the aisle with clothing, which took time away from working with customers.

The root cause: the frequency and inconsistency of store deliveries. The retailer worked with its distribution centres to determine a more practical and manageable delivery schedule and to increase visibility into the timing and size of deliveries. The objective was to ensure that the right levels of staffing were in place without disrupting visual merchandising execution.

Finally, once a retailer understands how to delight target customers and has zero-based store labour, the next big step is to mobilise the field organisation (district managers, store managers and sales people).

Zero-basing requires a fundamental change to the employees' behaviours, activities and processes. The best companies rely on pilot projects and make a serious commitment to communicate and measure results.

A speciality retailer recently rolled out a sales productivity initiative across its stores. Sales productivity had varied considerably, so the company identified best practices such as prioritising checkout assistance over floor coverage and making store managers more available on the floor as a floating resource.

The retailer implemented a plan for mobilising district managers and store managers. For example, it gave each store manager a monthly action plan that laid out specific tactics, dates and owners for three of the best practices.

At the end of each month, store managers performed a self-assessment, including whether the actions were completed and why they were successful or unsuccessful.

District managers reviewed the store scorecards, self-assessments and action plans before store visits, and they provided recommendations, coaching and support based on their observations during the visit. This programme helped spur growth, while improving store managers' and sales staff's capabilities.

In all segments of retailing, earning such benefits starts by acknowledging that it may be time to take a fresh look at store labour, and that sales staff can be a secret weapon for achieving the seemingly contradictory goals of boosting customer advocacy and improving store efficiency.

Source: Business Day

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