

EMPOWERING FIRSTLINE WORKERS TO GAIN A COMPETITIVE EDGE

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Each organization takes a unique path to digital transformation. However, one common thread across all industries is the realization of the importance of Firstline Workers.

Think of Firstline Workers as brand ambassadors who make up more than 2 billion people around the world, employed in virtually every industry.* They are a company's first connection to its products and customers in retail, manufacturing, hospitality, food service, aviation, health care, education, agriculture, and more.

Given recent shifts and challenges in the retail industry, there has been a hesitancy to embrace new processes and add new technologies. But this trend is shifting, and for good reason.

Many retailers are learning firsthand that when their people are empowered with modern tools for a new age of retail, benefits quickly follow. For example, customers receive more personalized service, supply chain issues decrease, and employee engagement improves.

Retailers are now going all in to transform their culture across all aspects of the workforce. This includes investing in tools to connect associates with management for faster decision making, apps to view or swap shifts—and much more.

At Microsoft, our mission is to empower every person and organization on the planet to achieve more. We aim to build tools for the modern workplace to close technology and culture gaps that separate employees from the data, resources, and expertise they need to do their best work.

We sponsored research by Harvard Business Review Analytic Services to assess the status of Firstline Workers in the retail industry. Our goal is to provide business decision makers with the latest data and best practices to consider as they continue their digital transformation journey.



SHELLEY BRANSTEN

**CORPORATE VICE
PRESIDENT, GLOBAL
RETAIL & CONSUMER
GOODS**

MICROSOFT

*Source: The Rise of the Deskless Workforce, by Emergence Capital, 2018

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While virtually every industry feels the impact of business transformation, none has weathered more upheaval or rewritten more business plans than the retail sector. Worldwide, e-commerce sales now surpass \$3.5 trillion and will reach \$5 trillion by 2021. To beat the competition, retailers are expanding online sales while further capitalizing on the service and experiential advantages of their brick-and-mortar locations. At the same time, they're turning to a range of modern digital tools, including platforms for improving internal communication and collaboration, to enhance customer experience at physical stores and clearly distinguish themselves from e-commerce competitors.

Technological change is spurring retailers to take a fresh look at one of their most essential but often underutilized and overlooked resources—firstline workforces. In a new survey by Harvard Business Review Analytic Services, an overwhelming majority (67%) of global retail executives “strongly agree” that digital transformation over the past two years has increased the need to equip firstline workers with additional digital tools.

Firstline workers play a highly visible and critical role for retailer companies. They're the human faces in stores who guide consumers to desired products, provide custom services to frequent customers, close the loop in orders made online for in-store pickup, and engage with clients in many other ways. In short, customer experience hinges on the talent, skills, and knowledge of firstline—often also called frontline—workforces. They must be equipped to meet rising customer expectations, deliver high-quality engagements, and continue seamless shopping experiences from online to in the store.

The large, London-based retailer Marks & Spencer understands the connection between an empowered firstline workforce and customer satisfaction. The retailer has been investing in mobile applications and devices for its 50,000 in-store customer assistants for years, and it sees benefits in improved customer service. “In the past, if a customer asked if the store had a dress in a particular size, a store colleague would have had to search the back room and keep the customer waiting in the store,” says Sarah Cokayne, head of retail operations for the retail chain. “Now frontline colleagues can use mobile applications to see what's in stock,

HIGHLIGHTS

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67%

OF RETAIL EXECUTIVES “STRONGLY AGREE” THAT DIGITAL TRANSFORMATION OVER THE PAST TWO YEARS HAS INCREASED THE NEED TO EQUIP FIRSTLINE WORKERS WITH ADDITIONAL DIGITAL TOOLS.

—
72%

OF RETAIL EXECUTIVES SAY HAVING A DIGITALLY EMPOWERED FIRSTLINE WORKFORCE WILL BECOME A COMPETITIVE DIFFERENTIATOR IN THE INDUSTRY IN THE FUTURE.

—
91%

OF RETAIL EXECUTIVES SAY THAT THE FIRSTLINE SEGMENT OF THE WORKFORCE IS ESSENTIAL FOR ACHIEVING HIGH LEVELS OF CUSTOMER SATISFACTION.

where an item can be found, or, if it's out of stock, to determine if our store down the road has it. If necessary, our store colleagues can order the product, and it will be ready for pickup the next day."

The combination of skilled firstline workers and the right digital tools will become increasingly vital for retail companies in the years to come. Nearly three-quarters (72%) of the retail executives surveyed say having a digitally empowered firstline workforce will become a competitive differentiator in the industry within that time frame.

But digital empowerment requires more than simply implementing new technology. Retail organizations must also address related cultural and communication issues to fully utilize firstline workforces and reap business benefits, including improved customer service, increased productivity, and lower employee turnover.

The Key to Customer Engagement

A closer look at the components that contribute to business success

reveals why firstline workers can have the biggest impact. Retail executives identify a handful of drivers of creating a more digitally connected and empowered customer-facing workforce. Half of the survey respondents named enhanced customer engagement and satisfaction as the top potential benefit. Responses to a follow-on question underscore the importance of firstline workers: a commanding majority (91%) of retail executives say that segment of the workforce is essential for achieving high levels of customer satisfaction.

"The investments in technology that we're seeing for frontline employees not only bring about increases in customer satisfaction, they also translate into increased customer loyalty and same-store sales," says Paul Tiedt, senior vice president for research at Service Management Group, which specializes in customer- and employee-experience management. "In addition, we see improvements in speed of service—orders getting to customers faster—and lower employee turnover, all of which are key outcome measures for running an efficient retail business."

Retail companies reap additional benefits when they digitally empower firstline workers. For example, 43% of the surveyed retail executives named greater market intelligence and customer understanding as a top business driver of digital empowerment—compared to just 26% of respondents across all industries.

Retailers also highly ranked increased productivity and efficiency among the top empowerment benefits. Firstline workers and technology are combining for productivity improvements at Marks & Spencer. "Store colleagues use mobile apps for recording stock levels," says Scott Townend, digital platforms delivery lead. "In the past, people had to manually count stock—physically go to locations and write down the quantity for each item. Now, colleagues just wave over the area with the RFID [radio frequency identification] scanner on their mobile device, and the quantities are uploaded to the central inventory system. Not only are inventory counts more accurate, it saves time so colleagues can now devote more attention to customer service."

Overcoming Roadblocks to Engage the First Line

While the potential business benefits of digital empowerment are clear, many retailers are struggling to achieve the rewards. Sixty-nine percent of the retail executives surveyed say the cost of rolling out technology to a broader employee base is the biggest barrier to digitally enabling firstline workers. **FIGURE 1** This is far higher than the 43% of respondents in the overall survey who saw technology costs as such a high hurdle. One explanation is that retailers have traditionally focused investments on physical upgrades and must now play catch-up for in-store and online systems.

Retail executives are encountering sticker shock when it comes to rolling out new technology, but that's not stopping them from making new investments. The business returns for firstline digital empowerment and the promise of new market opportunities appear to be more than enough to

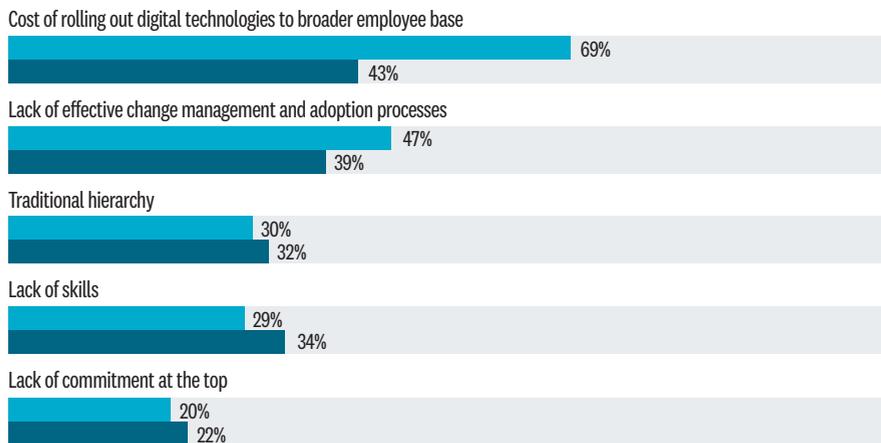
FIGURE 1

STUBBORN PROBLEMS HAMPER FIRSTLINE EFFORTS

Retailers must overcome financial and change-management challenges

What are the greatest barriers to digitally enabling firstline workers at your organization?

● RETAIL EXECUTIVES ● ALL INDUSTRIES



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, OCTOBER 2019

“The investments in technology that we’re seeing for frontline employees not only bring about increases in customer satisfaction, **they also translate into increased customer loyalty and same-store sales,**” says Paul Tiedt, senior vice president for research at Service Management Group.

convince organizations to open their wallets. For example, 78% of retailers surveyed say their investments in digital tools for firstline workers are higher now than two years ago. What’s more, they have clear ideas what technologies they’ll need to invest in for firstline workers over the next 24 months.

Highest on retail wish lists are mobile point-of-sale terminals, which help sales associates stay engaged with customers and complete sales anywhere on showroom floors. Nearly two-thirds (65%) of retail executives say their companies will be investing in these types of devices. **FIGURE 2** But retail respondents are also looking beyond hardware with plans to upgrade a range of applications for firstline workers.

A large number of retail organizations (62%) will acquire new web applications, such as programs to help firstline workers more easily access inventory totals, shift schedules, HR systems, and other company resources. More than half of the respondents (54%) will acquire programs to help them mine data with advanced analytics software, which can help sales associates recommend additional products for individual consumers based on, for example, their past purchases. The key for retail organizations is making a full range of data and analytics capabilities available to firstline workforces while they’re on showroom floors engaging with clients.

“At Marks & Spencer, we’re actively investigating how to make information more accessible to people via their mobile devices,” says Townend. “This includes running pilots that look at AI [artificial intelligence] to see

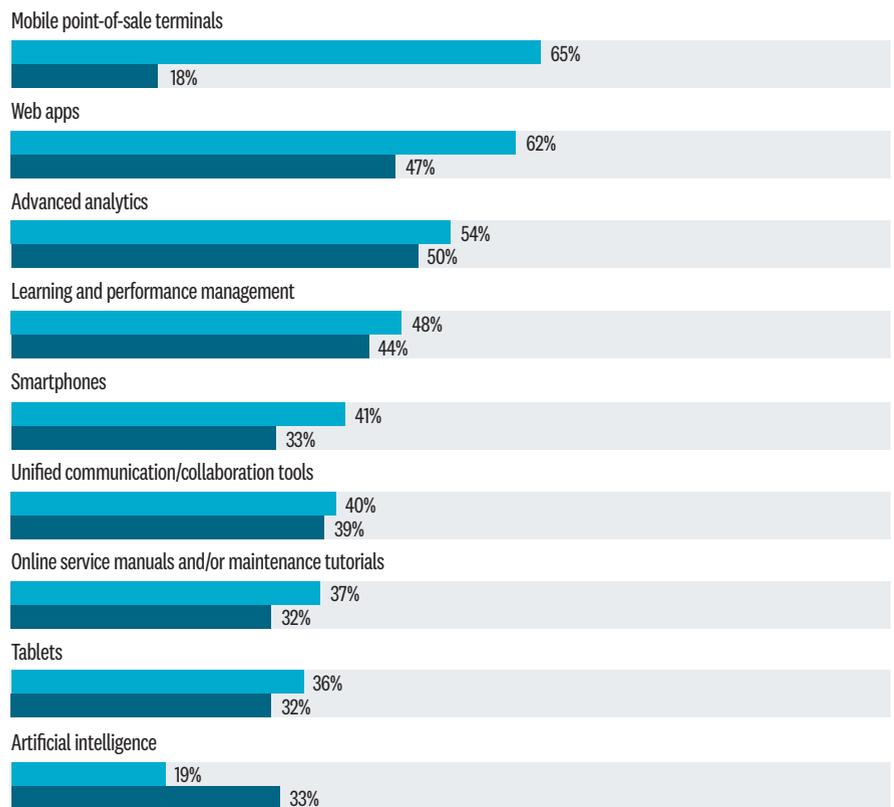
FIGURE 2

RETAILERS UNDERSTAND HOW TO EMPOWER FIRSTLINE WORKERS

Apps and analytics gain importance

What technology investments are organizations focusing on over the next two years?

● RETAIL ● OVERALL



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, OCTOBER 2019

“We are breaking down barriers so that our colleagues in stores can be heard, and **we are able to access a rich pool of ideas** that can support the transformation of our business,” says Sarah Cokayne, head of retail operations for Marks & Spencer.

how it may help people get answers more quickly.”

Change Management Hinges on Communication

Investing in technology is not the only challenge for global retailers that want to digitally empower their firstline workers. Forty-three percent of retail organizations named the lack of effective change management and adoption processes as a significant challenge. Relatedly, 41% of retail executives say their organization doesn’t have an effective communication and change management program to support the rise of digitally empowered firstline workers.

Marks & Spencer has already targeted communication improvements. Townend says the company is in the process of interconnecting all the company’s stores with a cloud-based collaboration application that integrates a range of communication tools, including chat, audio- and videoconferencing, and shared workspaces. “It enables our store colleagues to contact someone in the support center directly or communicate with peers in other stores to find answers to questions or learn about products,” Townend says. “[The platform] will replace many different tools that stores had been using and which lead to inconsistent communication. All business communications come through a single app, and the feedback we’re receiving from stores that are using the program shows that colleagues feel more engaged with the business.”

Traditional communications from senior executives had to flow through

other managers to store colleagues, which sometimes delayed or distorted the messaging. “Now people with many different roles can communicate directly with store colleagues,” explains Cokayne. “Finance colleagues can share the previous week’s sales results, while business managers can outline priorities for what products to promote in the following week and what changes to store layouts should be made based on upcoming sale items.”

The central communication platform also enables a two-way flow of information that benefits the retailer in two ways. First, it lets the entire workforce coordinate its efforts to achieve the company’s latest business goals. Second, firstline workers can share product insights and customer feedback with senior managers to inform them about emerging opportunities and trends.

Leveling communication means the British retailer has found an answer to overcoming traditional hierarchies—the third-biggest barrier listed in Figure 1. “In the past, store colleagues had to give their ideas to a section manager, who would then pass them to the CEO. With all those hurdles to overcome, many people felt constrained when trying to share suggestions,” Cokayne says. “We’re breaking down barriers so our colleagues in stores can be heard, and we are able to access a rich pool of ideas that can support the transformation of our business.”

The Power of Firstline People

Retail has been rocked with change in recent years. Traditional organizations are continuing to evolve their business models to successfully compete

with e-commerce sales platforms and with digitally enhanced physical stores. But while technology is at the heart of the changes, retail executives know another component is just as important: the power of the firstline workforce.

A growing number of retail executives are learning how to tap into that power. They see a direct link between digitally empowered firstline workers and important business benefits, including closer customer engagement and higher levels of customer satisfaction. Firstline workers can also bubble up ideas to managers about new products and services to gain an edge over competitors. In short, with the right resources, the firstline workforce can make even stronger contributions to their organizations.

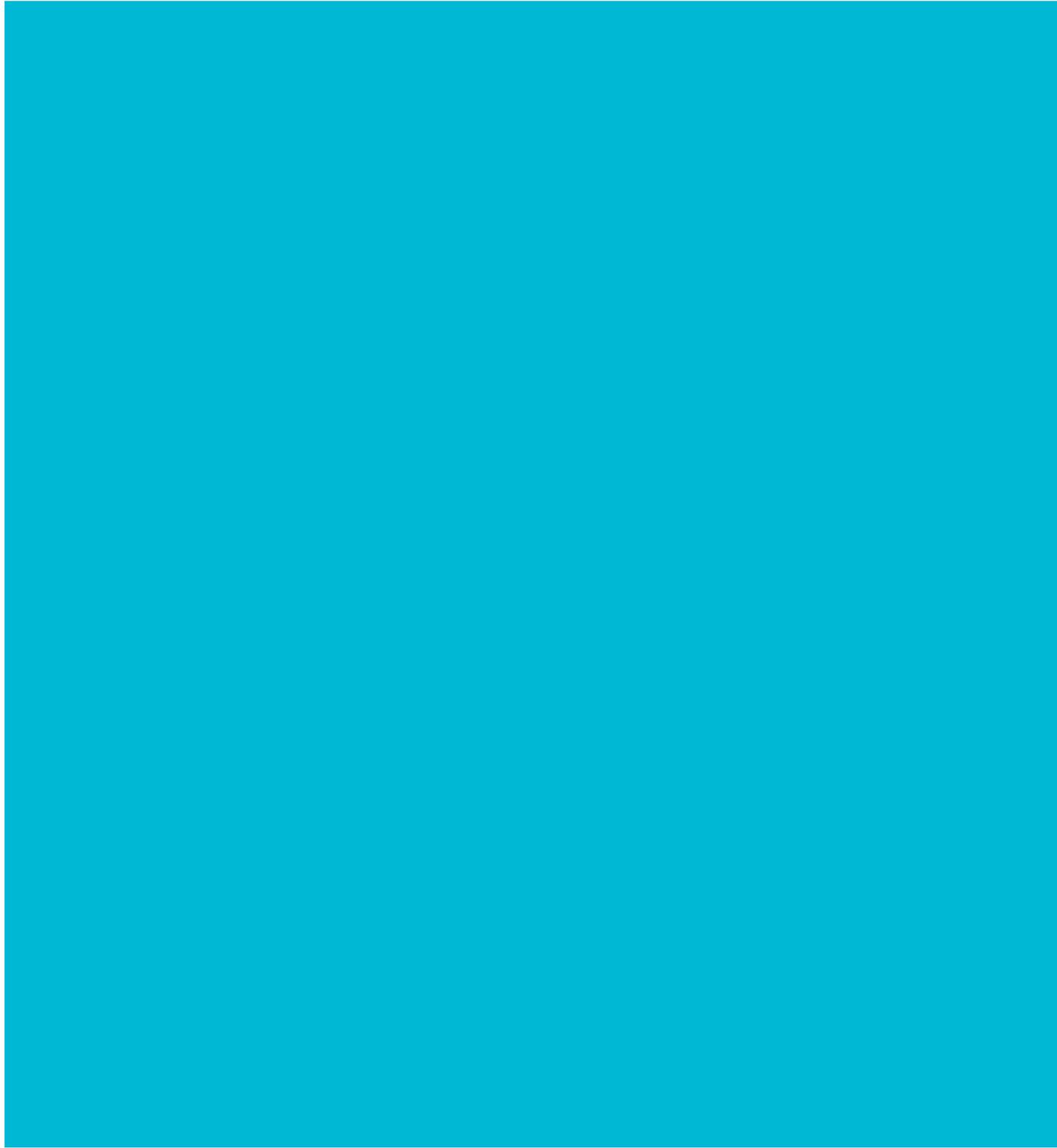
“Technology has enabled frontline colleagues to do their jobs more effectively,” Cokayne says. “Now colleagues have everything they need in their hands to enhance customer service and engage more closely with the company.”



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