RETHINK
RETAIL

FASHION & BEAUTY
RETAIL

MAXIMIZING EMPLOYEE POTENTIAL
TO MEET MODERN NEEDS

Sponsored by:

DN
Diebold Nixdorf

INTRODUCTION

The retail industry is in a state of historic change that reflects the years of past and future economic uncertainty, and those challenges extend to some sectors more than others. Notes one report by McKinsey, "The retail sector has experienced as much disruption in the past five years as it has in the previous 25."[1]

For the brick-and-mortar fashion and beauty sectors, innovation has to come quickly and keep up with the complexification of the modern economy.[2] The growing ubiquity, market power, and cultural relevance of eCommerce places brick-and-mortar fashion retailers in a sink-or-swim position.

In brief, brick-and-mortar retailers must innovate via tech-driven and algorithmically informed backend optimization while pursuing greater and greater levels of consumer-centric personalization, or become increasingly irrelevant.[3]

This level of transformation would be challenging enough without pressing labor challenges,[4] increased competition,[5] the complexity of digital infrastructure,[6] supply chain woes,[7] and an inflationary economy.[8]

How can fashion and beauty retailers **empower employees and maximize workforce productivity** to better serve customers?

All of these combine to not only create pressure on retailers but increase the intensity and urgency of consumer demands, including more immediate and smoother returns processes and greater, more seamlessly connected online-offline shopping modalities.[9]

Notes Matt Redwood, Vice President, Retail Technology Solutions at Diebold Nixdorf, "I think the biggest change we're seeing amongst consumers is the demand for better service in-store…consumers very much dictate the level of experience that they expect personally from the retailers, and they expect…something that is going to wow them, excited them, and ultimately inspire to purchase."

Yet, from this pressure and disruption comes tremendous opportunity for innovation, growth, and new technological integrations to fuel necessary changes.[10]

Indeed, today's fast fashion and beauty industries face many of the same challenges as the rest of the retail industry–to digitally innovate, compete with eCommerce, and provide omnichannel engagement–but with an emphasis on the customer experience that requires particularly astute, present, and knowledgeable employees.[11]

In brief, how can fashion and beauty retailers empower employees and maximize workforce productivity to better serve customers?

To help answer this question and learn more from retail leaders, RETHINK Retail has surveyed industry decision-makers and interviewed several leaders and SMEs to learn how recent challenges have impacted them, what technologies have impacted their operations, and how they're looking to manage their workforce to meet new challenges.

SHOPPER ENGAGEMENT AND EMPLOYEE AVAILABILITY

A key factor in not only engaging shoppers but driving further sales within the beauty and fashion industries is employee availability: whether someone is available to help measure, guide, inform, and generally cater to customer wants, needs, and concerns.[12]

This section will examine the factors that inform the perception of poor employee availability before detailing its potential impacts and moving forward to solutions.

In RETHINK Retail's recent survey of retail executives in the fashion and beauty industry, about 85% agreed or strongly agreed that "employee availability impacts customer engagement and is important to drive sales."

In other words, it is not a particularly divisive point within the industry, but it bears constant strategic re-emphasis all the same; being generally understaffed or underequipped and undertrained to sufficiently cover a store's operations results in a wide range of operational harms.[13] Notes one recent report by the Harvard Business Review, neglecting low-wage workers bears a "high cost."[14]

Many things serve as hurdles to availability, to the ability to answer cogently and efficiently to customer needs. A simple one is a lack of staff, a problem within varying sectors of the retail industry for years at this point.[15]

Fashion retailers may struggle in particular with their turnover rates as is, even prior to the lockdown era. One way of addressing this is via investment into the tools necessary to better equip and prepare the employees you do have.

Notes Rupert Parker Brady, an expert in urban renewal and retail strategy and a Top Retail Influence with Rethink Retail, poor labor availability is a global impact, particularly in the Netherlands but also the broader West and parts of Asia: "You see that retailers are really struggling. Doesn't matter whether it's food or non-food."[16]

Another might be missing connections between online and offline parts of the business, whereby due to a lack of training or necessary networking tools, in-store employees are simply unable to help with the online aspects of a business or otherwise understand it poorly.[17] Conversely, customers can often feel that there is a distinct lack of support when they are shopping online as well.

85%

of retail executives **in the fashion and beauty industry agreed or strongly agreed that "employee availability** impacts customer engagement and **is important to drive sales."**

according to a recent RETHINK Retail survey

Customers may also feel a lack of availability when it comes to more complicated customer journeys (e.g., they have a complex issue that requires managerial intervention, which takes time) or when there is confusion as to the checkout processes.

Long returns processes with poor transparency are also a pain point for consumers, where without detailed tracking, customers are liable to feel frustrated and unsupported. Additionally, a lack of in-store productivity aids—including self-service kiosks—is also a factor in the perception of poor store coverage, and will amplify frustrations regarding a lack of available employees.

On an even more basic level, excessive downtime or a lack of employee engagement will keep employees from being on the store floor where they are needed, and a poor understanding of the customer journey on the part of associates will also result in a poorer ability to anticipate and meet their needs.

Note that even if you are properly staffed, many of these hurdles to availability could occur regardless: in many cases, it is about poor management of organizational tools, time, and energy, with that energy going to the wrong places at the wrong times.

The impacts of these factors vary but have direct and significant implications for sales. A simple consequence might be long queues, where customers become frustrated to the point of abandoning their baskets, an impact which not only affects sales that day but likely the store's reputation for customer service within the community, thereby reducing longer-term sales.

Another frequent consequence of a lack of employee availability is missed upsell opportunities, which is to say lost sales: if employees aren't available to help customers with their basic questions, they certainly aren't available to suggest other purchasing opportunities.

Poor customer perceptions also result in a greater number of filed complaints and general dissatisfaction within the store environment, which can in turn drive worsening loyalty among those customers, yes, but also poorer retention as existing employees juggle angry shoppers.

So, we know it can go wrong, but what does it look like when things go right? When employees are available to customers from the point of entry—and in terms of online/offline services—even prior?

What do customers want and care most about in-store from employees, and how does all of this ultimately promote loyalty?
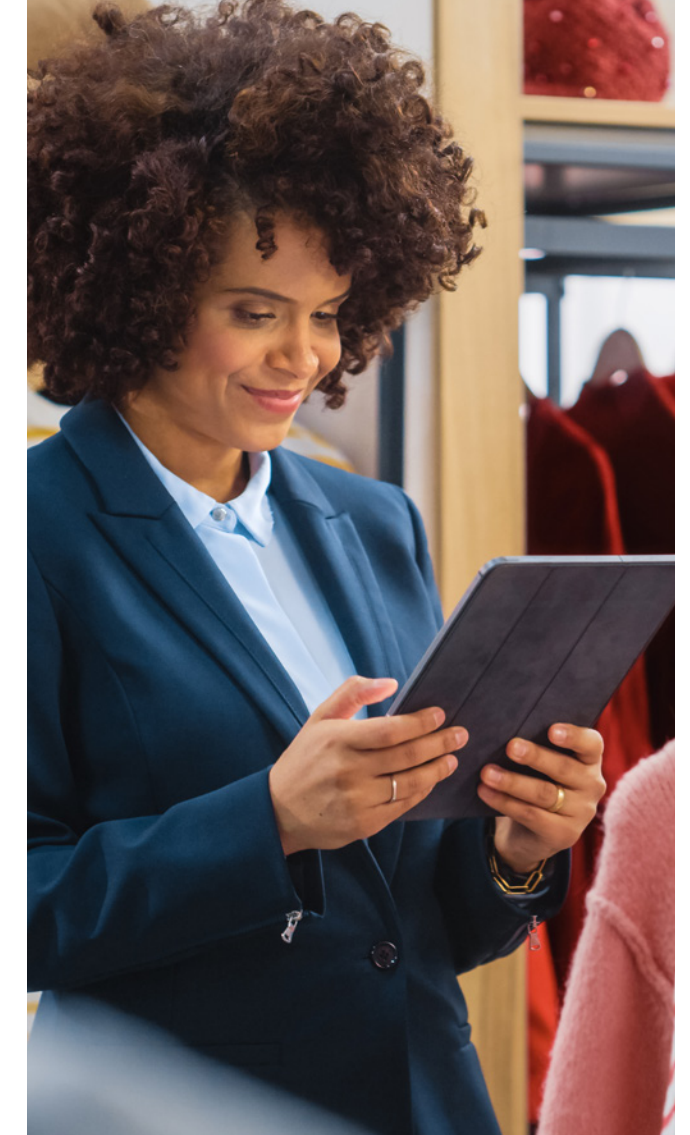
BRINGING TECH TO EMPLOYEE ENGAGEMENT AND THE CUSTOMER EXPERIENCE

Argues Andrew Busby, industry expert and founder of Retail Reflections, what customers want to see is happy and engaged employees; those satisfied employees drive positive customer experiences:

"We know that customer satisfaction and experience to a large extent is driven by employee satisfaction…if you look after your employees and you treat them very well and your customers will see that, and so they see your company in a different light… Retailers [need to] give employees the tools they need to do the job," he explains.

In other words, when employees have the tools they need and are engaged and satisfied with their workplace, store customers are more likely to feel the same sense of engagement—resulting in more upsell opportunities for the retailer.

Customers will also feel that the company treats its employees well at a time when the link between brand values and customer values is perceived as more important than ever: according to one recent Harris Poll, 82% of customers say it is important to them that a brand's values align with their own.[18]

On that note, if your store is struggling to find and maintain talent, a tech-centric view may be insufficient: one critical port of call is better compensation and benefits notes Kate Sheldon of The

Fashioneering Lab, an increasingly important value for consumers in how they perceive brands: "This is especially relevant in the luxury sector, where the quality of service can be a key differentiator."[19]

"While this may not be a popular answer in some circles," she continues, "the reality is what our clients are finding, if they are honest, is there is less of a labor shortage than there is a shortage of people willing to work in situations where they feel exploited with low wages and poor benefits."

She goes on to explain that one client who doubled the salaries of their remaining employees saw a 16% increase in sales YoY and a flat budget, further noting that employees were eager to take on more responsibilities and that "the proof was in the pudding."

Like Busby, she also notes the importance of the right tech, the right tools in the hands of employees to address common customer pain points: "There absolutely is a role for all of the new technologies out there."[20]

46%

of retail leaders **indicate that they've deployed self-service kiosks** to increase employee productivity

according to a recent RETHINK Retail survey

According to RETHINK Retail's survey, retail leaders indicated the key pain points they hoped to address with employee-empowering tech innovation, with 'out of stocks' and 'unavailable staff' leading the pack at 69% each, while 'complex or lengthy returns' came in third at 46%.

On the issue of returns, Sheldon has this to say: "Returns have been a sticking point across all retail including luxury retail. We all know customers aren't fond of making them, so using innovative tech [that is now available] like AI to streamline the process can make it much more palatable."[20]

Indeed, AI can be used to help boost the customer experience by assisting both in employee training and the automation of manual tasks that might otherwise take employees away from customers who require interaction.

Indeed, the message to invest in tech has been clear across the industry for some time. In our survey, retail leaders indicate that they've invested in a range of technologies to increase employee productivity, from employee apps and contactless payments (at 69% each) to AI/ML-powered technologies and self-service kiosks (each at 46%).

Employee apps bring a myriad of advantages from timesheet management, business-wide message boards and information sharing to more advanced training and even AI-powered assistants. These often work with IoT device integrations to bring robust capabilities to the fingertips of employees.

When asked what tech they planned to implement to improve employee productivity in the next five years, only 15% indicated self-service technologies, while AI/ML powered technologies (at 62%), employee apps and contactless payments, radio frequency identification (RFID) (each at 38%), and IoT device integrations (31%) led the pack.

Depending on the needs of the retailer, a lack of planning to implement self-service tech might be a mistake, though the results may also be the result of market saturation in some sectors of the industry.[21]

Up to 62% of retailers intend to implement AI/ML powered technology to improve employee productivity in the next five years.

Notes Brady, "Self-service checkout…can be a big advantage, especially when it's very busy in the store and you don't want to wait in line at the beauty or cosmetics or at the fashion retailer."

Indeed, solutions such as Diebold Nixdorf's DN Series® EASY provide flexible, advanced ways of achieving frictionless self-checkout services that address many of the pain points associated with older generations of the technology.[22]

RFID is another essential technology that—together with AI/ML-powered tech—empowers employees with sophisticated and automated loss prevention functionality in addition to item recognition functions at checkout.[23]

These technologies present an opportunity, in fact, to 'rethink' checkout zones in the store—to make them increasingly autonomous and seamless so that retail employees can focus elsewhere in a way that bolsters the in-store experience.

> **Push back on technology for technology's sake… a piece of technology should enrich the customer's experience.**

Matt Redwood // Vice President, Retail Technology Solutions at Diebold Nixdorf

TECH INVESTMENT SHOULD BE AIMED AT EMPOWERING HUMAN INTERACTION

Notes Redwood, it is common to see employees preoccupied with inventory management and customer interaction during peak hours of the day, only to be interrupted by checkouts:

"When a queue starts to build up at the checkout, they all migrate then to the checkout area and they start serving customers. But what that means is there is a lack of staff in the store to actually help customers where they need interaction with staff."

This is where self-service comes in which—together with those RFID and AI-powered automations as well as contactless payments—can be robust and 'frictionless' enough to serve multiple employee functions, freeing employees to continue focusing on human-level interactions at the most critical points in their journeys.[24]

Busby contends that while technology is essential to the competitive stores of today and tomorrow, a lens must, again, always be kept on employee engagement and the human interactions that stem from that: "Yes, you can use technology, but I think that a lot of it actually is human interaction also, underpinned by some of those tools that people need."

The best of both worlds, therefore, is to ensure that the technological advancements you invest in achieve the goals most important to you, and for many retailers, that goal is increasingly maintaining loyalty in addition to attracting new customers, and supporting the 'right' customer journey–to connect the customer and employee in a way that brings value to the customer and success to the store by freeing up staff to make those connections.

In the beauty and fashion industry, those goals should remain keenly focused on happy, engaged employees who are equipped to provide the experiential services that will keep your customers thinking about your store experience rather than the convenience of online delivery.

Reminds Redwood, "Push back on technology for technology's sake…a piece of technology should enrich the customer's experience."

HOW RFID HELPS RETAILERS IN CRITICAL EFFICIENCY GAINS

By Marshall Kay // *Global Director, Retail Transformation Services at Avery Dennison*

& Alex Lindstrom // *Senior Editor at RETHINK Retail*

RFID isn't new on the scene. So it's fair to ask—where is it now, where is it going and is it relevant to all types of merchandise?

While RFID doesn't receive nearly as much buzz as Generative AI and Machine Learning, Kiosks or Robotics, it has already revolutionized the operations of some of the world's most successful retailers. It's fair to say that RFID still receives far too little attention.

Yet one technology with the potential to help revolutionize operations—particularly when used in concert with those other key technologies—has received too little attention: RFID.

Matt Redwood, Vice President of Retail Technology Solutions for Diebold Nixdorf, thinks RFID's impact is about to become clearer than ever, due to systemic pressures faced by retailers. The technology addresses chronic retail pain points like theft, long checkout queues and timely replenishment of shop floors and stockrooms.

RFID creates a level of ease and precision in inventory management that was once a pipedream, generating efficiencies that help the bottom line at a time when every bit counts. But saving money is only half the story. By improving on-shelf availability (OSA) and speeding up the checkout process, RFID boosts revenue too.

How **Prevalent** Has RFID Become?

It's no secret that apparel, footwear and related fashion merchandise categories are where RFID really took off, starting about a decade ago with leaders like Decathlon, Zara, Lululemon, Adidas, Marks & Spencer and Tesco. As noted by Redwood, "RFID is super prevalent in fashion because of the complexity of the product, and therefore the complexity of managing the supply chain, logistics and stock."

In fashion categories RFID is today routinely used by specialty stores, department stores, sporting goods retailers and mass merchants like Walmart and Target. Increasingly, luxury boutiques are leaning on RFID too.

RFID is taking flight in the beauty industry too—in part because inventory accuracy in beauty (generally 50% or less) has traditionally been even worse than in fashion categories (usually 60-70%), in part because of need to access store inventory for omnichannel fulfillment, and in part due to the high rate of theft of beauty products. The value of RFID in the beauty supply chain is fuelling great interest too.

RFID can help the beauty industry improve significantly on the dimension of sustainability, which is a goal of beauty brands, retailers and consumers alike. Many products that get produced, packaged and shipped are ultimately rendered non-saleable, either because they are out of season or have passed their expiry date. One brand found over 20% of its units non-saleable, in one of its highest velocity stores.

Beyond fashion and beauty, RFID tagging has accelerated rapidly in home goods, consumer electronics, sporting goods and even automotive supplies.

RFID should become a critical lens through which you analyze your future operational and tech requirements

RFID Helps to **Inform**–**and Design**–Tomorrow's Stores

Marks and Spencer, a long-time Diebold Nixdorf partner, worked with the firm on their Store of the Future project for the last 4-5 years with the initial goal of transforming the in-store experience.

Through this partnership, M&S was able to identify several different 'types' of customer journeys they cater to and provided different tech choices to cater to each (e.g., for grocery, including three or four different types of self-service options).

M&S was already using RFID on the clothes and home side for inventory management. It therefore made sense to begin exploring how those tags could also be put to use to speed up the checkout process.

Whatever your store's needs, RFID should become a critical lens through which you analyze your future operational and tech requirements, especially as RFID's capabilities alongside AI processes continue to develop.

What Will This Do **for Consumers**?

BETTER PRODUCT AVAILABILITY

Consumers win when a retailer does a better job ensuring that shop floors are properly stocked. It's also a win when the retailer's website provides a truer view of whether the local shop does (or doesn't) have the item the person is searching for.

RFID has given retailers capabilities they wanted for decades, but never really realized was possible. When you give these tools to store associates, to store managers, to district managers, and to people at headquarters, in terms of the visibility that they have, it allows stores and entire store fleets to be operated in a much more efficient way than they ever could have been operated in the past.

SELF-CHECKOUT

"If you go into Zara or you go into Uniqlo, you're picking your items, you're putting them in the basket. When you get to checkout, you drop your basket into the box. All items are instantly populated and you pay and you go, removing the scanning process," all resulting in a better in-store experience, says Redwood.

The spread of RFID into so many other product categories opens the door for RFID Self-Checkout to be utilized by a much larger set of retailers.

REDUCED THEFT

Losses from theft ultimately need to be passed along to consumers. That's an unfortunate reality. But there is good news. For a variety of reasons, RFID is a

> **RFID is giving retailers capabilities** they've dreamt of for decades, but never really realized was possible.

Marshall Kay // a retail industry expert and RETHINK Top Retail Influencer of 2022

big step forward for the community of professionals tasked with monitoring and addressing retail theft.

Part of this has to do with the fact that RFID labels are serialized. Retailers who invest in Smart Exits can now get an itemized view of what a shoplifter removes from the store, and that information can be linked with video footage. And serialization also comes into play when thieves attempt to return stolen goods for a refund or store credit.

The number of retailers taking full advantage of RFID to curb theft is still relatively low, but there is tremendous potential in this area.

RFID Helps to **Inform**–**and Design**–Tomorrow's Stores

The global labour shortage of recent years—which is expected to become the new normal—has highlighted the need for solutions that increase the productivity of store personnel and make the customer's in-store shopping experience as smooth, speedy and enjoyable as possible. RFID does all this and more, which is why its future in retail is so bright.

References

[1]Begley, Steve et al. "Retail Reset: A New Playbook for Retail Leaders" | McKinsey. https://www.mckinsey.com/industries/retail/our-insights/retail-reset-a-new-playbook-for-retail-leaders. Accessed 22 Aug. 2023.

[2]Amed, Imran et al. "The Beauty Market in 2023: New Industry Trends" | McKinsey. https://www.mckinsey.com/industries/retail/our-insights/the-beauty-market-in-2023-a-special-state-of-fashion-report. Accessed 24 Aug. 2023.

[3]Anderson, Sam. "We Ask Marketers: How Can Brick-and-Mortar Retailers Thrive in 2023?" The Drum, https://www.thedrum.com/news/2023/02/20/we-ask-marketers-how-can-brick-and-mortar-retailers-thrive-2023. Accessed 28 Aug. 2023.

[4]Conerly, Bill. "Labor Market Update 2023: Hiring Becomes Easier, But Challenges Remain." Forbes, https://www.forbes.com/sites/billconerly/2023/04/27/labor-market-update-2023-hiring-becomes-easier-but-challenges-remain/. Accessed 29 Aug. 2023.

[5]Arcieri, Katie. "US Retailers Face Slowing Online Growth, Rising Price Competition in 2023." https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-retailers-face-slowing-online-growth-rising-price-competition-in-2023-72427425. Accessed 27 Aug. 2023.

[6]Jöhnk, Jan, et al. "Managing the Complexity of Digital Transformation—How Multiple Concurrent Initiatives Foster Hybrid Ambidexterity." Electronic Markets, vol. 32, no. 2, June 2022, pp. 547–69. Springer Link, https://doi.org/10.1007/s12525-021-00510-2.

[7]Baertlein, Lisa. "US Supply Chain Woes Shift and Persist in 2023." Reuters, 17 May 2023. www.reuters.com, https://www.reuters.com/business/retail-consumer/reuters-events-us-supply-chain-woes-shift-persist-2023-2023-05-17/.

[8]Mena, Bryan. "US Consumers' Mood Soured at the End of Summer on Inflation Worries | CNN Business." CNN, 29 Aug. 2023, https://www.cnn.com/2023/08/29/economy/consumer-confidence-august/index.html.

[9]Ruvio, Ayalla, et al. "What Do Your Customers Want in 2023?" Harvard Business Review, 19 Jan. 2023. hbr.org, https://hbr.org/2023/01/what-do-your-customers-want-in-2023.

[10]Rollings, Maya. "The Top Retail Trends for 2023." Retail Dive, https://www.retaildive.com/spons/the-top-retail-trends-for-2023/641881/. Accessed 29 Aug. 2023.

[11]Amed, Imran. "State of Fashion" | McKinsey. https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion. Accessed 23 Aug. 2023.

[12]BoF Team, Mckinsey & Co. "The Year Ahead: What a Fashion Company Looks Like in 2023." The Business of Fashion, 12 Jan. 2023, https://www.businessoffashion.com/articles/workplace-talent/the-state-of-fashion-2023-report-organisation-workplace-talent-strategy/.

[13]Strambor, Zak. "Retailers and Restaurants Struggle to Hire and Retain Enough Workers." Insider Intelligence, https://www.insiderintelligence.com/content/retailers-restaurants-struggle-hire-retain-enough-workers. Accessed 29 Aug. 2023.

[14]Fuller, Joseph, and Manjari Raman. "The High Cost of Neglecting Low-Wage Workers." Harvard Business Review, 1 May 2023. hbr.org, https://hbr.org/2023/05/the-high-cost-of-neglecting-low-wage-workers.

[15]Snyder, Kristy et al. "Key HR Statistics And Trends In 2023" | Forbes Advisor. https://www.forbes.com/advisor/business/hr-statistics-trends/. Accessed 25 Aug. 2023.

[16]Maurer, Roy. "Labor Shortages Forecast to Persist for Years." SHRM, 23 Jan. 2023, https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/labor-shortages-forecast-to-persist-2023.aspx.

[17]Michaelwaite, Sue. "Bridging Online and Offline Retail During a Cost of Living Crisis." 8x8, 9 May 2023, https://www.8x8.com/blog/bridging-online-and-offline-retail-during-a-cost-of-living-crisis.

[18]Silberstein, Nicole. "Harris Poll: 82% of Consumers Want a Brand's Values to Align with Their Own." Retail TouchPoints, 27 Apr. 2022, https://www.retailtouchpoints.com/topics/consumer-trends/harris-poll-82-of-consumers-want-a-brands-values-to-align-with-their-own.

[19]Romeo, Peter. "Consumers Now Care More about How Employees Are Treated, Study Finds." Restaurant Business, https://restaurantbusinessonline.com/consumer-trends/consumers-now-care-more-about-how-employees-are-treated-study-finds. Accessed 27 Aug. 2023.

[20]Motukuri, Krishna. "Council Post: Why AI And Checkout-Free Technology Will Grow In 2023." Forbes, https://www.forbes.com/sites/forbestechcouncil/2023/02/08/why-ai-and-checkout-free-technology-will-grow-in-2023/. Accessed 29 Aug. 2023.

[21]Bigora, Peyton. "Self-Checkout Is Now the Dominant Checkout Format in Grocery, Study Says." Grocery Dive, https://www.grocerydive.com/news/self-checkout-takes-lead-for-dominant-checkout-format-in-grocery/648650/. Accessed 26 Aug. 2023.

[22]Diebold Nixdorf - Retail Hub. https://www.dieboldnixdorf.com/en-us/retail/. Accessed 28 Aug. 2023.

[23]Lopate, Lily, et al. "NRF 2023: RFID Pushes Retailers Toward Digital Transformation." Technology Solutions That Drive Business, https://biztechmagazine.com/article/2023/01/nrf-2023-rfid-pushes-retailers-toward-digital-transformation. Accessed 28 Aug. 2023.

[24]Silverstein, Sam. "Will Frictionless Checkout Ever Take off in Retail?" Grocery Dive, https://www.grocerydive.com/news/will-frictionless-checkout-take-off-in-retail-standard-ai/648812/. Accessed 29 Aug. 2023.

RETHINK
RETAIL