

# WHAT IT TAKES TO BE A RETAIL LEADER OF TOMORROW



# RETAIL WEEK FOREWORD



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**R**etail has had its fair share of big, brash characters. In the past, expert 'traders' often made it to the top: those proud of their ability to drive a hard bargain and who favour shouting and intimidation as a means to steer their company to financial success. One or two examples of these characters immediately spring to mind.

But the tide is shifting and a new type of leader is emerging, driven by the need for rapid digital transformation and the emergence of more socially conscious citizens who expect certain codes of conduct from big business.

In order to win in this new world, the

leader of tomorrow must be collaborative, collegiate, inclusive and have a sense of responsibility regarding how their company's actions impact the people and the world around them.

EQ is as vital as IQ in today's market. Egos are no longer welcome in the boardroom and, in short, behaviours are arguably becoming more important than skills. However, that's not to say skills don't matter and expectations are changing here too.

As this report examines, the CEO of the future is likely to have a different skill set to their predecessors who have tended to hail from operational

or product backgrounds. Tomorrow's leaders are more likely to have experience in strategy, marketing or data.

The shift in mindset and skill set is huge, as is the challenge that lies ahead for retailers to find the right leader for their business.

This report explores what it takes to be a retail leader of tomorrow. We examine how to adopt a more data-centric approach, the business structures fit for the future and why it's important to build an inclusive culture into the heart of any organisation.

The future of retail itself will be shaped by this breed of new leaders.

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# SALESFORCE VIEWPOINT



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**T**he world of retail is in the grip of a revolution. New retail models, from online to subscriptions, are placing increased pressure on retailers to deliver more with less as disruptive new competitors enter the market. Meanwhile, customer behaviour is changing, with expectations increasing for a seamless and friction-free experience across the physical store and digital retail landscape.

Retail leaders are being challenged to embrace new technologies that rethink the customer experience in order to remain competitive. Supporting the connected customer across channels, from mobile and social to web and in store, is no small task. However, forward-thinking CEOs like the ones you will read about in this report are harnessing new technologies like artificial

intelligence (AI) to embrace the true value of data and improve the shopping experience.

How? Well, AI is creating even more ways for retailers to reach shoppers with smarter, more predictive and personalised messages. These sophisticated algorithms can make decisions based on implicit and explicit behaviour, and can consequently generate highly personalised recommendations that have been proven to make customers significantly more likely to purchase.

Technology is not the answer to all the challenges facing retail today but it is the force driving this revolution. As leaders recognise these tools in their arsenal they can differentiate their brand, deliver a unified strategy and build loyalty through heightened knowledge of their audience as well as standout customer experiences.



**Retail leaders are being challenged to embrace new technologies that rethink the customer experience**



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## INTRODUCTION

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# CEO SKILL SET OF TOMORROW

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**W**ho would be a retail CEO? It has never been the easiest of jobs. A retail CEO must balance the needs of varying and often conflicting stakeholders from investors, suppliers, employees and consumers, as well as navigate market trends and economic turbulence, all while growing both the top and the bottom line.

But today's leaders have to deal with all this and more. After what now, in hindsight, seems like decades of relative stability – when margins were assumed and growth was a given – retail CEOs must today operate in an entirely new landscape.

Connected devices, artificial intelligence (AI), robotics and analytics wrapped under terms such as “the fourth Industrial Revolution” are changing the game yet again for retail bosses. The challenge of digital transformation is unprecedented.

And it's not just a technological revolution. Today's workforce and consumers are diverse in their background and behaviours, and they

expect more from the companies they are working for or buying from, be it flexibility, social responsibility or something else.

In this new world, there is no rulebook to refer to. This is uncharted territory, and as such will require a new way of working and a fresh way of thinking. In short, retail CEOs must find new ways to lead.

Over the following three chapters, this report unpicks the huge shift in mindset that will be demanded from retail leaders, from adopting a data-driven approach to being fleet of foot and having the charisma needed to bring people along with them.

So, who would be a retail CEO? Someone with a thirst to be a pioneer at this exciting and unpredictable time in our history. Someone who wants to be at the heart of the digital revolution. Someone who wants to make a difference and has the courage to lead and inspire culturally diverse workforces.

It's a job with many more challenges than it used to have, but the prize is arguably far greater.









## CHAPTER I

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# ADOPTING A STRATEGIC, DATA-DRIVEN MINDSET

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- >> Data must be placed at the core of retail strategies
- >> Digital culture and mindset across the business are vital
- >> CEOs need not be data scientists, but should be in the know

**T**he term ‘data-driven retailing’ keeps cropping up in company trading statements, often referenced by retailers as the way forward in a time of digital transformation.

Yet the power of data to transform retailers’ understanding of their customer has not yet been fully realised. The best leaders recognise this and are putting data at the core of their strategies.

Online health and beauty retailer FeelUnique’s Joël Palix is a prime example of a data-driven CEO. He oversees a business that stocks its physical stores and salons in Jersey, Guernsey and Paris based on ecommerce trading data, and because he comes from a beauty brand background where there are limited customer-facing opportunities he is acutely aware of the importance of data.

“Data is becoming more and more relevant and you can use it better than before, so it must be kept as part of your armoury,” he notes, while adding it is crucial this new mix of science is balanced with the art of commercial intuition and a willingness to take risks.

### Data-driven and proud

New Dixons Carphone group CEO and former Shop Direct boss Alex Baldock is another retail chief who is data-driven.

Baldock led the trend across retail by beefing up his data team while at the helm of Shop Direct, implementing a string of senior

hires in recognition of the role data played in his strategy. Baldock’s obsession with data meant Shop Direct became a trailblazer in personalisation, helping it identify and target its core, higher-spending customers.

Data is in the DNA of retail leadership teams at Amazon, Asos and ebay, proven by an investment in bringing hundreds of analysts and engineers into their respective workforces over recent years.

When revealing Asos’ half-year results in April, chief executive Nick Beighton said the fashion retailer had been leveraging AI in “every area of the business... in pursuit of being a truly data-driven organisation”.

### Old dog, new tricks

Do tomorrow’s leaders need to have a grounding in data, or is it enough to hire in the skills?

Marks & Spencer chief executive Steve Rowe conceded in an interview at Retail Week Live in March that M&S was behind the curve when it came to digital prowess.

Since then he has unveiled a range of initiatives, including forging or extending key partnerships with vendors that specialise in new technology, initiating collaborations with start-ups and innovation hubs, as well as recruiting a specialist in data and digital, Jeremy Pee.

Outgoing Loblaws exec Pee will assume the role of chief digital and data officer at M&S in

December, and will aim to develop a digital mindset and culture across the business.

Creating a company-wide digital culture and data-led strategy is something Alibaba and JD.com in China, and Ocado in the UK, have been following to much reward for many years. This has allowed them to develop at pace components to their business such as payment solutions or ecommerce infrastructure that can be used by third parties.

But data-centricity is not the preserve of newer retail businesses, according to former managing director of Waitrose Lord Price. He believes data has always been a mainstay of CEO conversations, but concedes that the game has transformed in terms of the quality of the data now available.

“All CEOs are data driven, but the data sources are broader than they may have been historically,” he notes. Price adds that when he was marketing director of Waitrose in 1997, data tended to be derived from conversations with suppliers or surveying customers, that would then feed into marketing campaigns.

“Going back 20 years it was about putting an ad in the *Telegraph*, *Mail* or *Sun* depending on who you thought you were trying to target, but now you could hone this to military veterans from Scotland who have a liking for smoked salmon.”

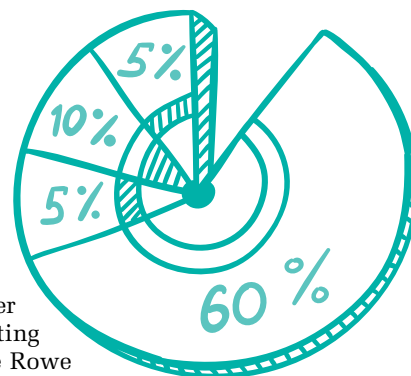
## Trusting the data

With so many other responsibilities sitting with the CEO, the Rowe approach of setting out the vision, understanding data's importance and bringing in the expertise, will likely prove a popular route, according to Will Higham, founder of future-gazing consultancy The Next Big Thing.

“CEOs need to trust the data and they need to be open to use of data science, but they don't need to be a number-cruncher themselves – they just need to employ someone at a very senior level who is,” he says.

Salesforce futurist Peter Schwartz underlines the point, adding: “The CEO does not need to be a data scientist, but given that we're now in a world where AI is going to make a big difference to how you run your business, you need to know a fair amount about it.”

Schwartz cites US department store chain Target as a model company in this regard, saying most back-office functions have been migrated to India – from accounting to supply chain management – and come under the responsibility of the chief operating officer. Brian Cornell, CEO of Target, has made himself responsible for customer-facing projects, which includes the launch of an app available in all stores that acts as a hub for cross-channel services.



**All CEOs are data-driven, but the data sources are broader than they may have been historically**



**LORD PRICE**  
**FORMER MANAGING DIRECTOR, WAITROSE**



## CHAPTER 2

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# BUILDING THE RIGHT TEAM, SKILLS AND STRUCTURES

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- >> Digital transformation requires a new leadership mindset
- >> Recruiting from the technology sector is “a big draw”
- >> Curiosity and collaboration are key to keep up with change

**T**here is no single, set-in-stone, suitable organisational structure to follow in modern retailing, but one thing is certain – retailers need to be set up in a way that truly capitalises on the opportunities presented by digital that are relevant to their business.

Fran Minogue, managing partner at headhunter Clarity Search, says leaders often suggest they would not hire at the top level today who they hired three years ago. A sign of how roles have shifted in a short space of time.

“If you go back 10 to 15 years, a CEO normally had a buying and merchandising or a retail operations background – they were generally the two paths to the top.

“Marketing has come back to the fore and is more important in its broadest sense, because what retailers need is someone with an understanding of the customer and how to differentiate the brand in an increasingly competitive marketplace.”

Most retailers would concede they had

some sort of skills gap when it comes to digital transformation, yet Retail Week research released in September shows that today’s leaders are not so confident the talent exists in their sector to navigate this digital change.

Just 37% of c-suite respondents say they would recruit from the retail industry to plug any skills gaps.

In addition, 75% of retail leaders say they feel digital transformation requires a new leadership mindset, and 87% say the pace of change and the pressure their business is under to digitally transform has increased over the past three years.

### Training or recruitment?

Minogue says recruiting executives from the technology sector – be it from Google, Microsoft, a digital consultancy or elsewhere – “is the biggest draw” for retailers at present. However, she notes that leaders in FMCG – such as Dave Lewis who moved from Unilever to Tesco in 2014 – are in demand again because of their marketing prowess.

Financial services and insurance, where personalised communication and sophisticated CRM strategies have been in place for several years, are also proving







## You have to keep learning, be open, curious and collaborative



**FRAN MINOGUE**

**MANAGING PARTNER, CLARITY SEARCH**

attractive hunting grounds for retailers. Former Direct Line and RBS Banking Group man James Sturrock moved to online cards and gifts retailer Moonpig in 2015, where he held the managing director role before taking the CEO job at Eve Sleep in September 2018.

But there is still plenty of top talent within retail as Seb James' move from Dixons Carphone to Alliance Boots shows, as well as Boohoo's appointment of Primark's John Lyttle.

Lyttle's appointment in particular shows that more traditional skills, such as operational excellence and product expertise, are still highly valued in today's retail environment.

But whatever the skill set, Minogue notes that today's retail CEO cannot stand still because the industry is moving so quickly.

"You have to keep learning, be open, curious and collaborative – and aware the market is moving so fast that you need to enable the workforce," she says.

"It's critical you create a learning

organisation. One of our clients has just embarked on a programme to ensure the entire organisation is learning constantly. This is cascaded all the way down to the shopfloor, in their case making sure people know how to sell digital products in a digital age."

It is this attitude, she suggests, that will help with succession planning. An open mind to new technology, customer behaviour changes and ways of operating is crucial to being a successful modern CEO, she argues.

### **M&S walking the walk**

As part of Rowe's renewed focus on digital, he is aiming to implement a learning culture at M&S.

Through its work with tech education group Decoded, all staff will be taught data science, and will be educated about machine learning and programming languages such as R and Python through its new in-house academy.

Rowe calls the move "our biggest digital investment in our people to date", adding it is "key to survival".

## CHAPTER 3

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# WHY EQ AND IQ MUST GO HAND IN HAND

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- >> **Doing good is good for business**
- >> **Diversity is key to an inclusive work environment**
- >> **The ability to relate to staff at all levels is crucial**

**W**almart founder and the man the US giant is named after, Sam Walton, once remarked: “Outstanding leaders go out of their way to boost the self-esteem of their personnel. If people believe in themselves, it’s amazing what they can accomplish.”

In 2018, there are echoes of Walton’s message at John Lewis Partnership (JLP), which, with the support of a widescale rebrand and accompanying marketing campaign, is emphasising the importance of its employees or, as it calls them, partners.

The stated aim is to differentiate itself from the market and place staff at the centre of its story.

The partnership, where all staff receive a bonus related to the annual profit and have a say in business decisions, has always been different, according to Price. He explains how when he was managing director of Waitrose he aimed to create a culture that aligned with modern workforce requirements.

“I was always interested to look at staff turnover and staff retention levels, and I was always really keen that family members worked in the business,” Price notes.

“There are lots of things that you can measure in terms of quantitative results to help someone understand if they have a settled, happy and engaged workforce.”

Price has made workplace happiness

his goal in his new role running Engaging Works, a platform that measures contentment of employees across industries. In initial measurements, retail rates worse than average in a number of metrics related to empowerment and engagement, suggesting there is work to do.

### Happy retail families

One man who appears to be on a personal crusade to create a positive culture around everything he does for his business is Timpson CEO James Timpson – a great example of the power of EQ (emotional intelligence).

A simple scroll through his Twitter feed, which he sees as “a great way of communicating with our colleagues and customers about our culture”, shows Timpson’s keenness to do good not just for his workforce but for society as a whole.

He actively employs ex-prisoners to help them re-enter society, offers free dry cleaning for unemployed customers on their way to job interviews, and owns holiday homes that his staff can book and use for free.

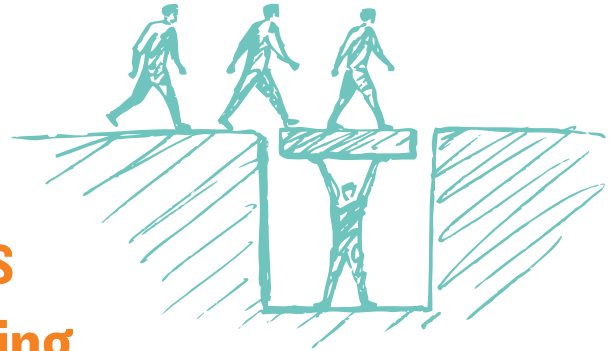
“We’re a family business and there are 5,500 people in our family. Everyone who works for the business is part of the family, so we treat them as such. One of the things we see as important is to look after the people who look after you. We enjoy doing it, it’s that







# It's the CEO's job more than ever to get around the business and make sure they are recruiting amazing people who get the culture



**JAMES TIMPSON**  
CEO, TIMPSON

simple.” Timpson says CEOs need to find the time to get around their business, to establish a consistent strategy, culture and leadership structure. He asserts that CEOs who bemoan not having the time to get around their stores are making “a big mistake”.

“Going around the business, if the colleagues in the shop say it is a good idea and that customers like it, then we just do it. You trust people to make the right decisions and to get on with it,” he says.

“It’s the CEO’s job more than ever to get around the business and make sure they are recruiting amazing people who get the culture.”

## Breaking tradition

Timpson’s style of management is a long way off the traditional image of the retail CEO ruling with an iron fist, associated with some of the best known retail leaders of years gone by.

It is clear that employees – and by proxy, consumers – expect different things from today’s workplace. With society becoming ever more diverse, and the ongoing calls for equality – be it gender, sexuality, racial, disability or age-related – retail CEOs need to show awareness and make recruitment and customer-related decisions accordingly.

FeelUnique’s Palix suggests that success here, by and large, comes from appointment decisions made by those at the top. He says when he joined FeelUnique in 2014, it was predominantly run by men.

“I made an effort to reach parity between men and women at executive team level, and this has helped the company better understand our customers and be more human in the way we manage teams,” he notes.

More than ever, companies are expected to showcase social good and show leadership in areas such as the environment, mental health and accessibility.

Another Retail Week study published in September shows that 80% of retailers think sustainability and ethical behaviour are of high importance to customers. Some 70% of retail executives suggest that informs the way they do business today.

CEOs must exhibit a high emotional intelligence and be sensitive to not only the changing shape of their workforce but also the changing needs of their consumers. Iceland founder Malcolm Walker, Co-op Food chief Jo Whitfield and Morrisons boss Dave Potts are high-profile execs leading a drive to reduce plastic waste in retail, clearly identifying the positive environmental, societal and PR benefits of such a move.



## Charisma and care

“Retail, historically, was a command and control industry – lots and lots of workers at fairly low wages who were told ‘do it exactly like this, and repeat’,” says Minogue.

“That used to be the model, but it won’t work today because the market has moved on and millennials aren’t interested in that approach. Jobs for life are gone and work is more project related now.”

She adds: “Charisma is a crucial trait in any CEO and something we focus on at interview stage; having the ability to relate to people at all levels is vital, so that they feel you are human and open to new ideas.”

Higham takes this a step further, suggesting that in the age of the conscious

consumer, increased diversity and heightened expectations in the workforce, “a new openness and flatter hierarchies than before” are required. CEOs also need to consider flexible working models and how technology can aid staff and business operations, he adds.

How CEOs come across is also of vital importance. “In the broadest possible terms, it’s about being less masculine and more feminine,” he says.

“In the old days, one way to inspire was to be strong and brash; the attitude and nous of the market trader. Maybe some of that has to change, becoming more about listening and thinking and less about shouting and talking.”

## CEO IN FOCUS: FEELUNIQUE’S JOËL PALIX

**Q: What are the characteristics of a good retail CEO?**

**A:** Retail is a passionate domain and you need at the helm of the company someone who can also take gambles – someone who has left and right-brain tendencies. Big figures in retail in the past were very charismatic and they knew when and how to take gambles – and this should remain – but they must be humble enough to realise data can tell them what to do.

**Q: Should a retail CEO be data-driven?**

**A:** You need to have analytical skills and be data-driven. When you are online, like we are, you have this at the core of what you do, but I still believe a good CEO in retail has to keep their intuitive side, to seize opportunities, take gambles and follow inspiration. Yes, we evolve the site more and more through data, but when deciding whether you want to expand in Russia versus India, for example, there are things which also rely on gut instinct.

**Q: How has access to data changed retail?**

**A:** Marketing used to be creative and brand only but now it is very data-driven – brand passion is not

enough. On the commercial side, we still need people who can feel what is right and there is an element of intuition there, which is very important. Supply chain and logistics has to be very, very data-driven and analytical because it’s about everyday performance, monitoring and being super precise, but business development and international expansion has an element of gamble in it – it’s often what you feel.

**Q: How does your understanding of customer data influence your stores and salons?**

**A:** We know which brands are doing well online – and that is a good way to decide and select which products are sold in the store. In a store you have a limited assortment so we use our experience of online to select relevant products.

**Q: What advice do you have for setting up a senior team?**

**A:** Having diversity in the executive teams is important for multiple reasons, but one is so people who are more data-driven can be confronted with those who are more intuitive or commercial. The CEO can then make final decisions – it’s about listening to one another.

