

# The Future of Work

**Retailers  
prepare for a new  
environment**



**verizon** ✓

# Foreword



Stefica Divkovic  
Vice President  
Verizon EMEA

It's clear that amid the disruption wrought by COVID-19, most business leaders are not, and should not, let the need for crisis management prevent them from thinking about the future. The disease continues to affect millions, and its effects will be felt for years to come. I'm proud to work for an organisation that's offering support to those in need right now, but also investing in creating a better environment for all.

We've recently launched a new responsible business plan, Citizen Verizon. This provides direction for initiatives across the company to address digital inclusion, climate protection and human prosperity. I firmly believe that this is the right thing to do, and that it makes good business sense. To borrow a line from the plan: when the world thrives, we all win.

To reimagine our organisations for the future, we, as business leaders, must get comfortable with dealing with uncertainty. Without doubt, more change lies ahead. And so, flexibility to respond to change has never been a more valuable commodity, both in leaders and in the organisations they lead.

Understanding the trends and what other companies are doing is crucial to making informed decisions. We offer this report with a dose of humility. We don't claim to have all the answers, but it provides many useful signposts and recommendations.

A handwritten signature in white ink, appearing to read 'Stefica Divkovic', written in a cursive style.

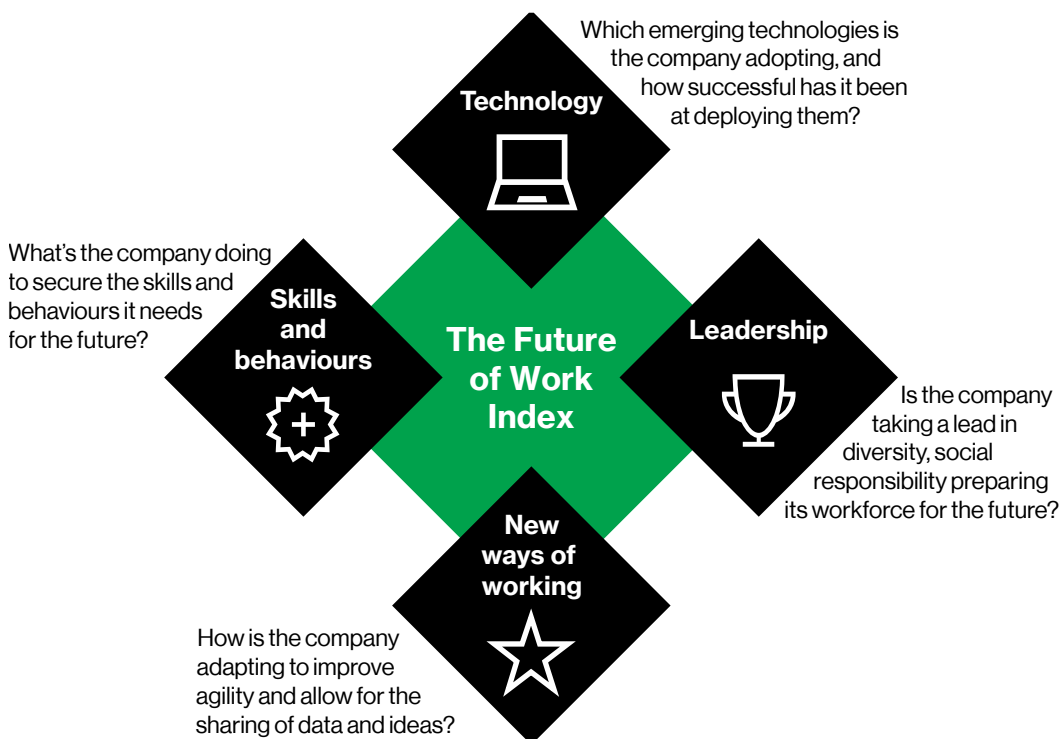
Verizon commissioned extensive research into the future of work to create this series of reports. This included two surveys of senior business executives working in companies with annual revenue of US\$500 M or more. The first, carried out in January and February of 2020, included 1,102 respondents; of which 141 (about 13%) across 17 countries identified as being in the retail sector. The second, in May 2020, saw 644 respondents, including 105 (about 16%) from retail across 13 countries.

# The Future of Work

To determine how ready companies are for the future of work, we commissioned an independent research company – Longitude, a Financial Times company – to conduct a wide-ranging survey. This was before the COVID-19 crisis began. To reflect on the dramatic changes to the landscape since then, we commissioned a follow-up survey as countries began to ease restrictions. These two surveys give us insight into the future of work, and how the recent crisis has affected companies' priorities and investment plans.

## The Future of Work Index

Using the response from these surveys, we created the Future of Work Index. Each company was assessed on four dimensions: ability to implement complex digital technologies, effectiveness at breaking down internal barriers, competency of its leadership at maximising the impact of new technology, and its workforces' expertise at using those technologies.



The resulting score is a measure of the future-readiness of the company. A sector's index score is an average of the scores of the companies within that industry. In this report we'll look specifically at how retail companies were doing on each of these four dimensions and how that changed. Spoiler alert: Most respondents said that the crisis had reaffirmed many of their strategic objectives, but in many cases had accelerated investment.

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# 1.7 K

The opinions of over 1,700 senior business leaders were studied to create this report.

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The Future of Work Index identifies those companies that are more "future-ready". It's built around four dimensions.

# 6.9

Retail respondents had the highest average score across all sectors in our Future of Work Index.

## Ready for anything?

Retail has met the transformation challenge with considerable success, but far from all retailers would have been ready for the sudden changes caused by COVID-19.

### Future of Work Index scores by sector.

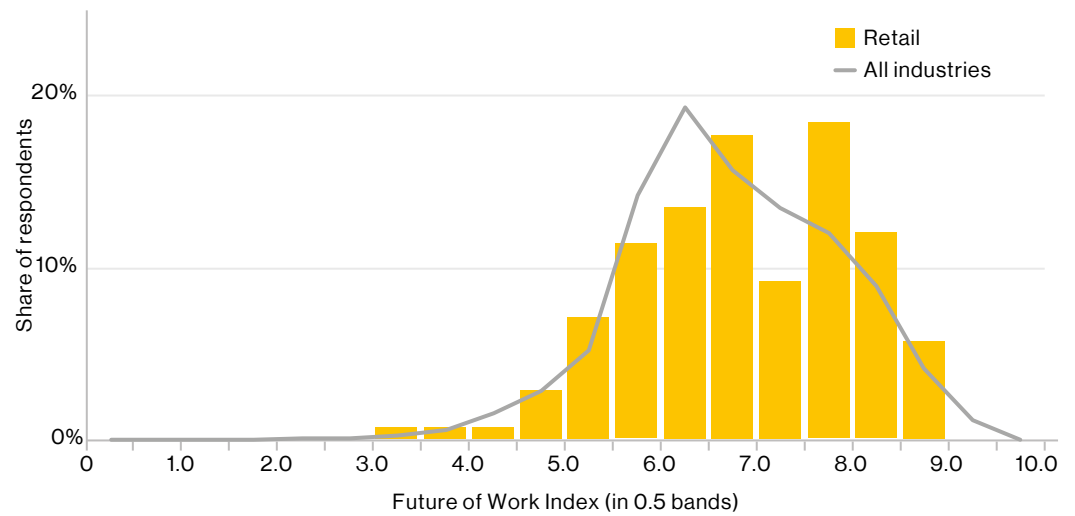


Figure 1: Spread of Future of Work Index scores in the retail industry (Survey 1).

Retail was the highest-scoring of nine sectors in our Future of Work Index with an overall score of 6.9 out of 10. The sector outperformed the others not only overall, but also in two particular areas (“dimensions”): technology and leadership.

### More future-ready than any other industry.

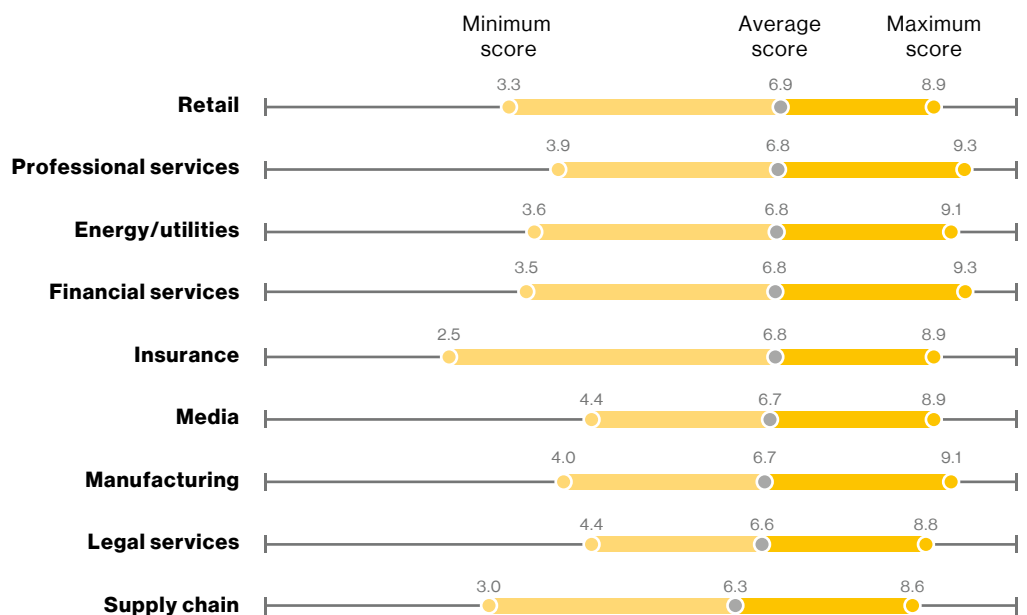


Figure 3: Average Future of Work Index score by industry (Survey 1).

## More Pioneers, but more Late-movers too.

When we look at the share of Pioneers (companies with a top-20% Future of Work Index score) and Late-movers (those in the bottom 20% of scores), the retail sector fared about average. It had slightly more Pioneers, but it also had a marginally greater share of Late-movers.

### Pioneers and Late-movers by industry.

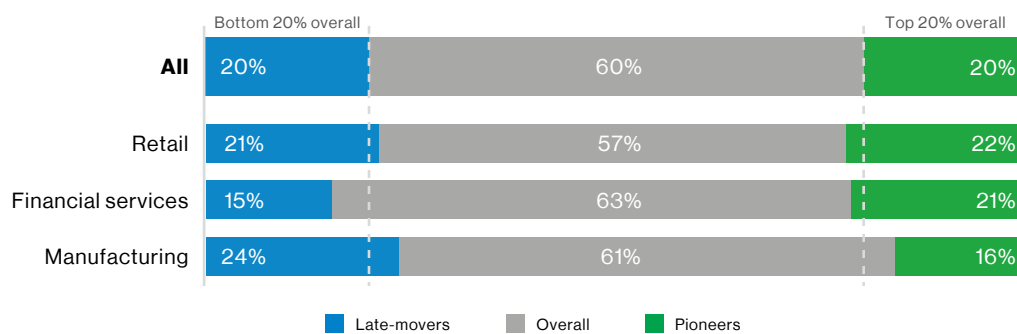


Figure 2: Share of Pioneers and Late-movers by industry (Survey 1).

## Navigating the crisis.

Companies that had already been proactive in preparing for the future of work – not just by digitising and deploying new technologies, but also by enhancing skills development, becoming more socially responsible and adopting new ways of working – were more likely than others to survive the crisis.

Retail organisations have had to battle the toughest conditions most have ever experienced, and these capabilities will have helped them. But it is a mixed picture: Some categories, such as food, have fared relatively well – particularly those with a well-developed online presence. However, most retailers have suffered. In our second survey, more retailers than respondents in other sectors reported a decline in revenue and their customer base since the onset of the crisis (63% and 60% respectively).

Instead of panicking, however, most retailers appeared determined to pursue the technologies, skills and other priorities they had set for themselves before the crisis. How is that illustrated by their scores across the four dimensions of readiness?

# 63%

Across all industries, Pioneers were more likely to have seen positive results in past, including growth – 63% had achieved annual revenue increases of 5% or higher over the past three years compared to just 20% of Late-movers.

# 63%

Just under two-thirds of retail respondents suffered declining revenue and customer base figures as a result of the COVID-19 crisis.

# Technology

**57%**

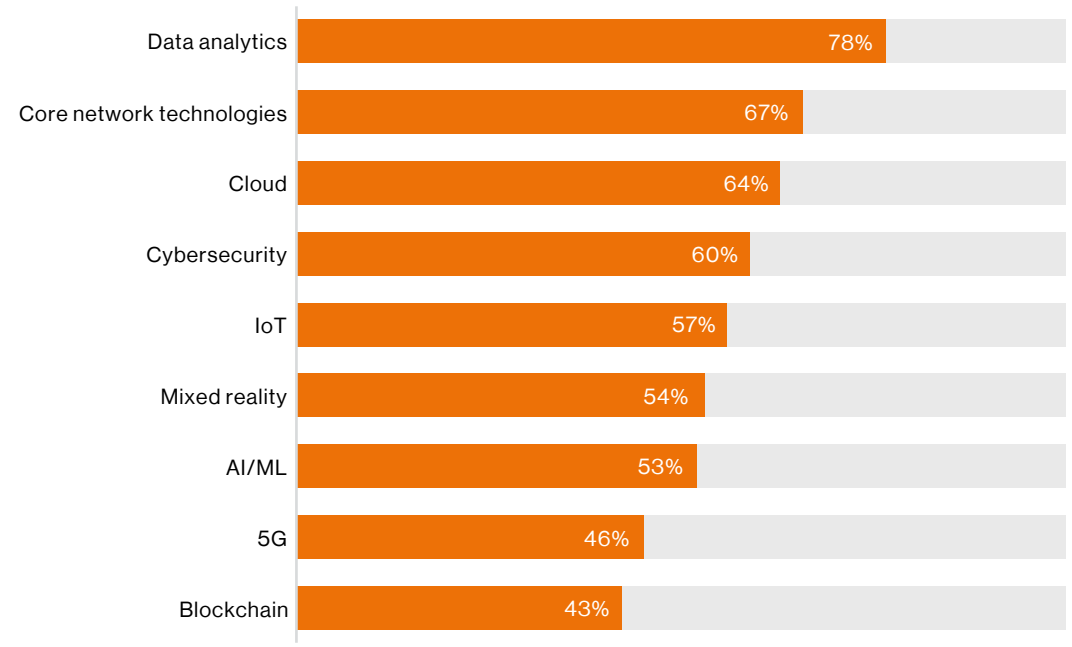
Over half of retail respondents expected to increase their investment in IoT following the COVID-19 crisis.

We knew from our first survey that the Internet of Things (IoT) and artificial intelligence and machine learning (AI/ML) were investment priorities for retailers. Our later survey found that not only did these technologies remain a priority, but many respondents planned to accelerate adoption.

More respondents in retail (47%) than in any other sector said they plan to prioritise investment in IoT over the next two years. More than half (57%) expected their investment in IoT to increase once the worst of the crisis had passed.

Their other top technology priority was AI/ML, cited by 44%. The only industry where more companies regarded AI/ML as a high priority was professional services.

## Technology investments on the rise post-COVID-19.



**Figure 4:** Share of retail respondents who expected their organisations to increase investment in and deployment of technologies after the COVID-19 crisis had passed (Survey 2).

The crisis had also motivated retailers to bolster other capabilities: 78% said they will step up investment in data analytics. This is a tool that can help them to understand and predict customer behaviour, which has changed considerably during the crisis and will be vital as retailers move further towards a more digital customer experience. About two-thirds (67%) expected to boost spending on core network technologies, and 46% planned to invest more in 5G. This indicates that many retailers are preparing to tap into a new generation of innovative applications.

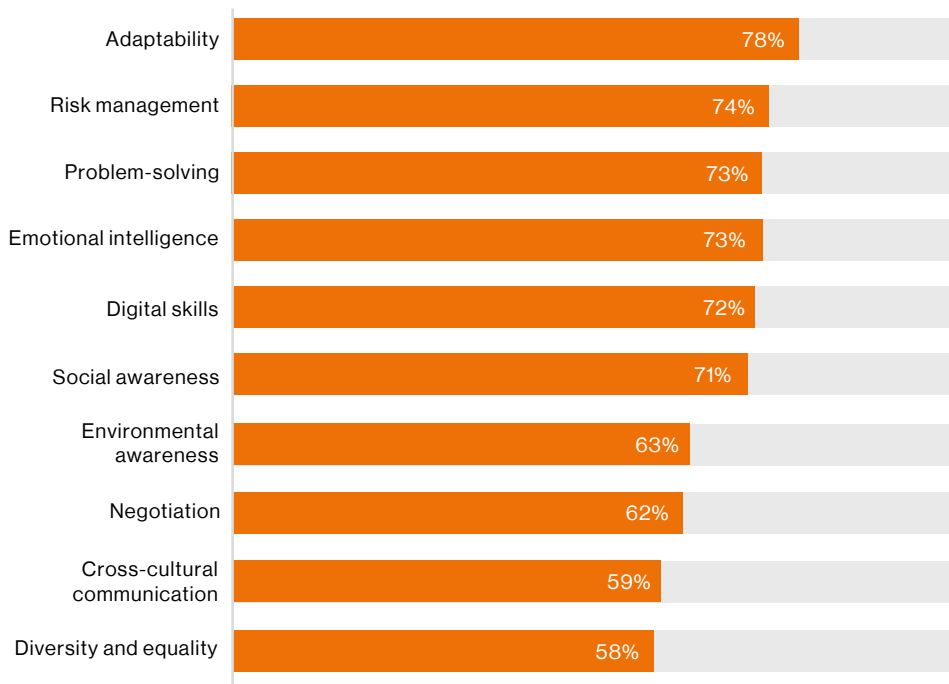
Some IT leaders even found they were able to accelerate initiatives that had been making slow progress. For example, the Head of Operations and Infrastructure at a European fashion retailer told us that the shift to remote working had driven a change in mindset that meant they had overcome internal barriers to multifactor authentication for email.

# Skills and behaviours

Prior to the lockdown, 45% of retail respondents (which is more than in all but one other sector) said they were not doing enough to reskill employees to prepare them for the future. They also ranked emotional intelligence and environmental awareness low on the list of skills and behaviours that were considered important to their organisation's success.

In the later survey, several months into the crisis, 73% of retail executives said that emotional intelligence had become more important to their organisation, and 63% said the same about environmental awareness. But the attribute retailers cited most frequently as having grown in importance was adaptability – the ability to respond quickly to changes in the working environment (78%).

## Skills seen as more important following the COVID-19 crisis.



**Figure 5:** Share of retail respondents who said selected skills have become more important to their organisation as a result of COVID-19 (Survey 2).

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# 73%

Following the crisis, almost three-quarters of retail respondents said emotional intelligence had become more important to their business strategy.

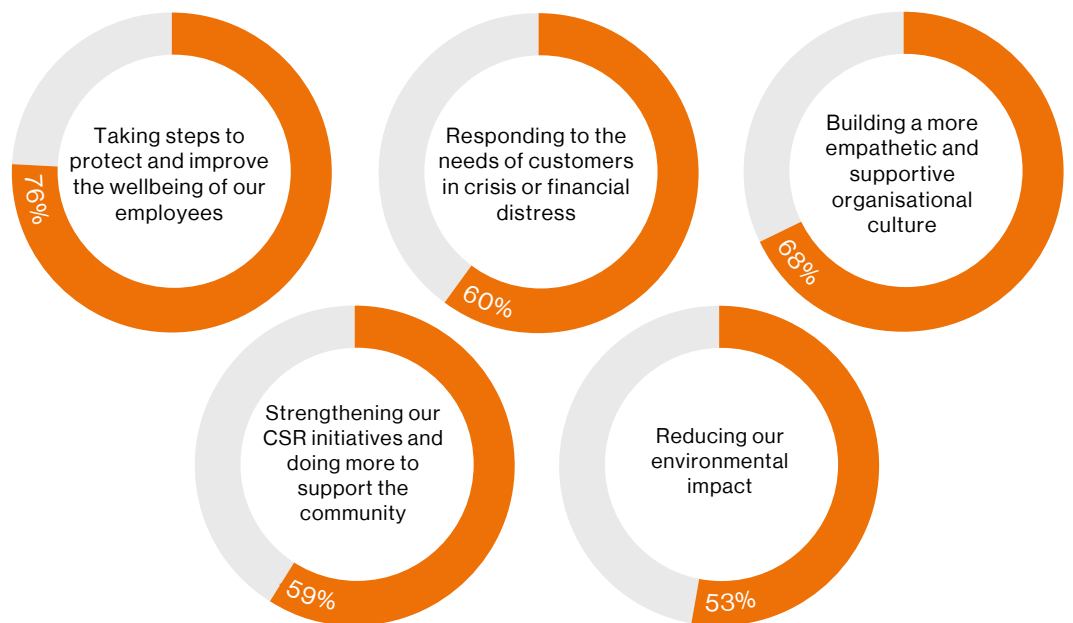
# Leadership

**42%**

More than four in 10 retail respondents said their leaders had not responded effectively to the COVID-19 crisis.

In the leadership dimension, the retail sector stood out for its relatively strong commitment to environmental, social and governance (ESG) objectives. For example, retail respondents were more likely than those from other sectors to say that workforce diversity (85%) and gender diversity (70%) were important to the success of their strategy. And more than two-thirds (67%) said the same of reducing their environmental footprint – second only to professional services respondents.

## The growing importance of people-focused strategies.



**Figure 6:** Share of retail respondents who stated that selected factors will become more important to business strategy as a result of COVID-19 (Survey 2).

Visionary and adaptable leadership was a strength for the retail sector in our first survey, but far from all of the respondents to the second survey said their senior management had coped well with the crisis. About four in 10 (42%) said their leaders had not responded effectively, either in terms of managing business performance or looking after employee wellbeing. Perhaps as a result, most retail respondents (68%) emphasised a heightened need to build a more empathetic and supportive organisational culture. They also expected initiatives to support local communities and help customers in distress, for example, to grow in prominence. This is not purely altruism: retail leaders understand that focusing on these priorities will help to keep their organisations competitive amid uncertainty.



# New ways of working

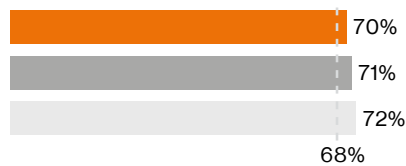
“Things are going to change here,” said the Operations and Infrastructure Head at the same European fashion retailer. “Now we know, for example, that we can work remotely without losing productivity, home working will become much more prevalent.” Most retailers in our second survey agreed: 71% said that many staff will continue working from home after the lifting of lockdowns, and their remote-working policy will need to be expanded accordingly.

# 71%

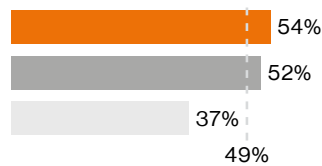
More than seven in 10 retailers said many employees will continue working from home after the lockdowns are lifted.

## Business priorities reaffirmed.

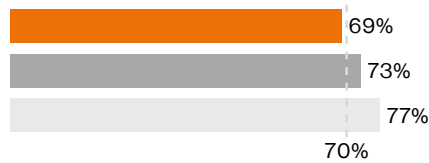
Being able to rapidly redeploy our people to where their skills are most needed



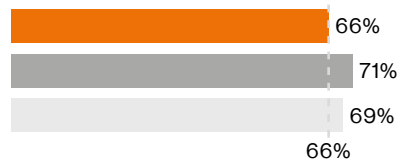
Participating in the gig economy, to give us fast access to part-time and temporary workers



Being able to respond quickly to new opportunities in the marketplace



Sharing data across organisational boundaries, to get a real-time view of business performance



■ Retail
 ■ Financial services
 ■ Manufacturing
 --- Average of all industries

**Figure 7:** Share of retail respondents who stated that selected factors will become more important to business strategy as a result of COVID-19 (Survey 2).

The crisis has underscored the merits of organisational agility, as companies have had to make significant changes in compressed periods of time. Retailers are keenly aware of this: 70% said the ability to rapidly redeploy people to where their skills are most needed has grown in importance as a result of the crisis.

Given the enormity of change ahead, managers and employees alike will need qualities such as empathy and emotional intelligence more than ever.

# Final word

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We believe that retail businesses preparing for a post-pandemic future should take action in the following areas:



## Technology

### **Fast-track emerging technologies.**

Digital future-readiness is about much more than being online. Deploying IoT, AI/ML, advanced analytics, automation, core network technologies and 5G is critical to position retailers for the next stages of growth.

### **Think platforms.**

Technology moves fast. Think about creating platforms that help you to become more agile and enable you to adapt to changing technology and emerging business threats and opportunities.

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## Skills and behaviours

### **Strengthen training programmes.**

Due to the crisis as well as the maturing of technologies such as AI/ML, the retail workforce is in considerable need of upskilling. Investing in training has never been more important to help prepare your employees and your organisation.

### **Balance your priorities.**

The crisis has demonstrated the vital role that empathy, emotional intelligence, ethical reasoning and other “human” skills play in maintaining customer loyalty and effective teamwork. Develop these to help your organisation be better placed to embrace new ways of working, enhance your social responsibility programmes and cope with change.

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## Leadership

### **Write your own rules.**

No one expects you to have all the answers, but you can set the tone and be the one to write the new rules. Don't let old working practices, outdated strategies or legacy systems hold you back: imagine the future you want for the business and start working toward it.

### **Commit to diversity.**

Like reducing carbon emissions and working with local communities, this is not just the right thing to do – it makes good business sense by increasing the breadth of talent across the organisation.



## New ways of working

### Lead change instead of reacting to it.

In the different retail environment that is taking shape, companies have the opportunity to develop new ways to sell to and interact with customers, and to organise their workforce so they can support altered business strategies.

### Learn from others and work with them.

No matter how many smart people there are in your organisation, there will always be more outside of it. Retailers must embrace the cross-sector ecosystems that have become increasingly influential in the digital era.

## Find out more

### Full report



Read the full Future of Work report for more details of this research.

### Webinar series



Watch our series of Future of Work webinars.



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