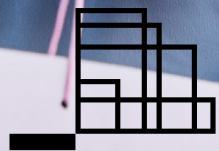


Brick, click, and the future

**Your workforce, customer experience orchestrators
fit for the phygital retail revolution**



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Brick, click, and the future

Customer experience orchestrators fit for the Phygital Retail Revolution

New technology and changing consumer preferences are disrupting retail worldwide, putting pressure on retailers to reinvent how, what and where they serve their customers. In PwC's 2023 Global Consumer Insights Survey Pulse 6¹ half of customers said that they intended to boost their online spending over the next six months.

So what, then, is the place of the retail workforce in the traditional brick and mortar store moving into the future world of retail?

Leading retailers around the world are not complacent. Already, they are making structural and organisational changes, building the critical capabilities needed to adopt or create new technologies that address their customers' needs. These organisations offer examples to other retailers of how to **reshape, rethink and reinvent traditional business models.**²

¹ PwC, 2023.Global Consumer Insights Survey 6, <https://www.pwc.co.za/en/publications/global-consumer-insights-survey-pulse.html>

² Strategy&, 2022. Get ready for the future of retail,<https://www.strategyand.pwc.com/m1/en/strategic-foresight/sector-strategies/consumer-retail-industry/future-of-retail.html>

The great disruptors

1. Economic uncertainties and challenges

Given the stuttering economy, high unemployment and a struggling consumer it is a very difficult environment for retailers and they need to look for innovative ways to drive growth and increase profits. In addition, South Africa's retail stores are facing unprecedented challenges in the context of pervasive load-shedding, growth in on-demand delivery channels, a stabilisation in returning to in-store shopping and an increased focus on cost-saving measures.³

2. Customer demands and shopping expectations

As technology continues to evolve, shoppers are increasingly drawn to digital features that can enhance their in-store shopping. This indicates a desire for a more holistic shopping experience that leverages the best of both worlds⁴ (an **'omni-channel'** experience) — a concept that retailers are still wrapping their heads around as they strategise, navigate and prepare to enable competitive advantage. Customers also demand a seamless online to in-store transition through engaging, personalised experiences. Over and above this, they are expecting 'one-stop shops' that offer more brands under the same roof. Personal shopping services, where the retailer does the shopping for you at the click of a button and as quickly as possible, feeds customers' desires for 'on-demand' satisfaction. Based on PwC's The future of grocery shopping⁵, personal online interaction with small retailers has increased, which is resulting in less reliance on the expertise of large retailers. Customers want to stay up-to-date with blogs from their favourite store, online advice in the form of recipes, styling guidance and shopping trends. Employee expectations

3. Employee expectations

Although automation is a key factor to further improve retail efficiency, consumers still seek human interaction and value customer service related to both physical and digital experiences. The key to this is reimagining and redesigning the service operating model to empower front-line staff with the right skills, visibility and access to integrated technology to efficiently and effectively resolve customer queries across multiple channels.⁶

According to the World Economic Forum's Future of Jobs Report 2023⁷ technology adoption will remain a key driver of business transformation in the next five years. The impact of most technologies on jobs is expected to be net positive over the next five years. The human-machine frontier has shifted, with businesses introducing automation into their operations at a slower pace than previously anticipated. The fastest-growing roles relative to their size today are driven by technology, digitalisation and sustainability, not to mention the rise of artificial intelligence enabling automotive processes and increased productivity levels.

The consumer markets workforce needs to pivot, but are they actually aware of this? According to PwC's Global Hopes and Fears - African Perspectives⁸, employees in consumer markets in Africa believe that skills such as digital, analytical, critical thinking, adaptability and specialist technical skills will not be as important within the **consumer market** context in the next five years as in other industries. In addition to this, these employees are less confident that their employer will provide them with tools, resources or opportunities to develop or apply these skills. 40% of Consumer market employees believe that their current job does not require any specialist training or qualifications, which is a significant difference from other industries. This concern is significant for the industry as organisations aren't communicating the urgency of adapting to employees' needs.

3 PwC, 2023. South African Retail Sentiment Index, <https://www.pwc.co.za/en/assets/pdf/south-african-retail-sentiment-index-2023.pdf>

4 PwC, 2023. Global Consumer Insights Pulse Survey - Decision points: Sharpening the pre-purchase consumer experience, <https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html>

5 Strategy&, 2022. The future of grocery shopping, <https://www.strategyand.pwc.com/de/en/industries/consumer-markets/future-of-grocery-shopping.html>

6 PwC, 2023. South African Retail Sentiment Index 2023, <https://www.pwc.co.za/en/publications/south-african-retail-sentiment-index.html>

7 World Economic Forum, 2023. Future of Jobs Report 2023, Insight Report, May 2023, https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf

8 PwC, 2023. PwC's Global Workforce Hopes and Fears Survey 2023 - African Perspectives <https://www.pwc.co.za/en/publications/global-workforce-hopes-and-fears-survey.html>

A dynamic shift is needed

Retailers understand the need to differentiate themselves and reinvent their ways of interacting with customers. They must provide customers with more than just goods to promote a positive and memorable customer experience. For this to be executed successfully, they need to rethink their organisational strategy, operating model and capabilities to match the customer needs and exceed their expectations.

1. Revamping brick and mortar strategies and business models

There's a shift happening in retail towards a greater emphasis on how to achieve their outcomes, as opposed to what the outcomes should be. This shift places customers at the centre of the strategy. The internal business outcome is being deprioritised as more organisations realise that customers want to be associated with socially and environmentally responsible organisations that have their consumers at the heart of their efforts. Omnichannel, truly digital features that enhance the in-store shopping experience are core to their thinking. From the volume of sales to the impact of the experience, a main strategic driver is moving away from a 'selling products' mindset to one of **providing an experience**.

Retailers are realising the importance of the **brand experience** to match how the world is changing. Whether high or low-end, an experience attracts curiosity, enticed by word of mouth and social media. Retailers are investing in providing experiences without the prospect of direct monetisation. One of the important purposes of building communities through these experiences is the potential to gather consumer data, and to further use that to enhance experiences that will attract more customers and make the brands better known to the public. Organisations now recognise the value of ethically acquiring data about their target audience using AI. This allows them to improve customer experiences and gain better insights into consumer purchasing habits. They have shifted from collecting personal data for generic advertising towards owning and using behavioural data.

Maintaining the theme of **customer centricity**, organisations are becoming more aware of the increased choice their customers have, with smaller businesses offering distinct experiences. They are changing their strategy to include data ownership for a very strategic purpose. From territorial brand exclusivity to offering multiple choices: aside from data ownership, companies are finding ways to increasingly influence the customer journey through creating **platform ecosystems** rather than single-brand stores. Brands that previously sold their own goods exclusively are now expanding their presence by increasing B2B sales in an attempt to make their products more accessible. In addition, the rise of the metaverse has allowed retailers to sell virtual versions of their products.

In other words, companies must know their customers and be able to integrate into their lives to enable an experience that resonates with them.

Consumer market companies are delving into strategies that were not historically the norm, and are therefore experimenting with new points of differentiation to, in turn, provide a distinct customer experience.

2. Investing in new capabilities

These differentiators require new capabilities **driven by deep consumer knowledge** and intimacy fueled by data points and psychological understanding. Retailers should hire for innovative thinking, creativity and specialised digital skills to remain on top of their game. They will need to improve targeted digital capability and embrace automation. Retailers that use sustainability (environmental, social and governance) as a differentiator need to ensure that these are aligned with the strategy and ensure that their capabilities match these ambitions. Retailers are rethinking the packaging they use, energy-friendly processes as well as how they manage waste. Ethical labour practices in stores particularly working conditions and hours worked are a top priority together with considerations with regards to the communities around which they operate and impact in which they trade.

Employees want to work for organisations that focus on sustainability and drive purposeful impact. These capabilities do not sit in an isolated division of the business, but should be integrated into areas of key decision making to promote the most successful design and implementation of appropriate initiatives.⁹

Human behavioural science indicates that one of the key ways to leverage behavioural data is to analyse it accurately and in detail. Because people are complex beings, it becomes critical that those tasked with concluding the data are familiar with consumer behaviour and equipped to draw profound trends and make noteworthy contributions.

3. Changing ways of working and operating models

Adapting the operating model to suit the strategic direction is usually last on the list for organisations to effect change, not fully understanding the immense power of the operating model on the accomplishment of goals. This must be initiated with speed for organisations who want to remain competitive — five years is too far into the future to plan for; and incremental gradual change will only delay the achievement of results. In the same spirit, **the operating model itself must enable quick decision making** and governance structures must promote quick turnaround times whilst still maintaining a sense of expert review.

Change how employees are measured to see different outcomes: We see organisations that continue measuring employee performance in the same old ways do not achieve at the same level as those who reimagine their processes to drive their new strategies. Performance management systems must be altered to keep up with the rest of the workforce changes. Critically important is the organisational culture that retailers drive: to authentically live an organisation's purpose and values, and in turn, achieve its strategy, operating model and culture must be aligned. Leveraging culture is a powerful way to tap into the emotional and irrational forces that drive an organisation.

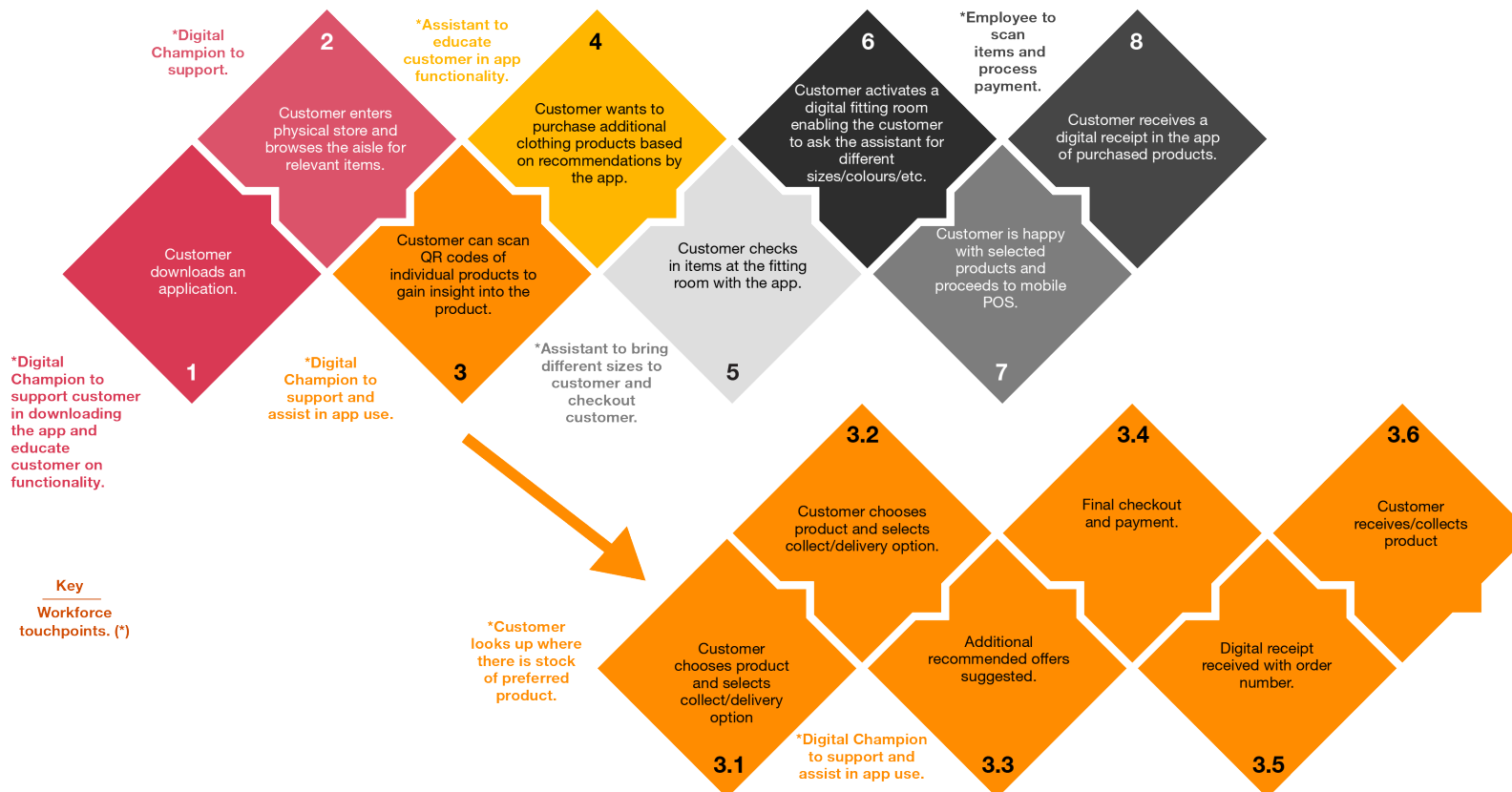
⁹ PwC, 2023. South African Retail Sentiment Index 2023, <https://www.pwc.co.za/en/publications/south-african-retail-sentiment-index.html>

The big question now is: Do physical stores still matter in the new retail world?

Revised purpose for the physical store

According to **PwC South Africa's Retail Sentiment Index**, not all retailers are offering alternatives to the physical store yet. Consumer markets organisations, and **physical stores in particular, will always have a place in the eyes of the consumer**. This is due to the freedom-of-choice conveniences that accompany going into a physical store. As an example, consumers would rather buy fresh produce from a physical store because they get to choose the specific punnet or item that looks best to them. They would rather purchase a dress from a physical store because they get to feel the texture of the fabric and see the cut. In the absence of affordability and accessibility of certain virtual store arrangements in Africa, the physical store provides a sensory experience that other platforms have not yet been able to get completely right. Physical stores have varying purposes that provide competitive advantage and a unique customer experience.

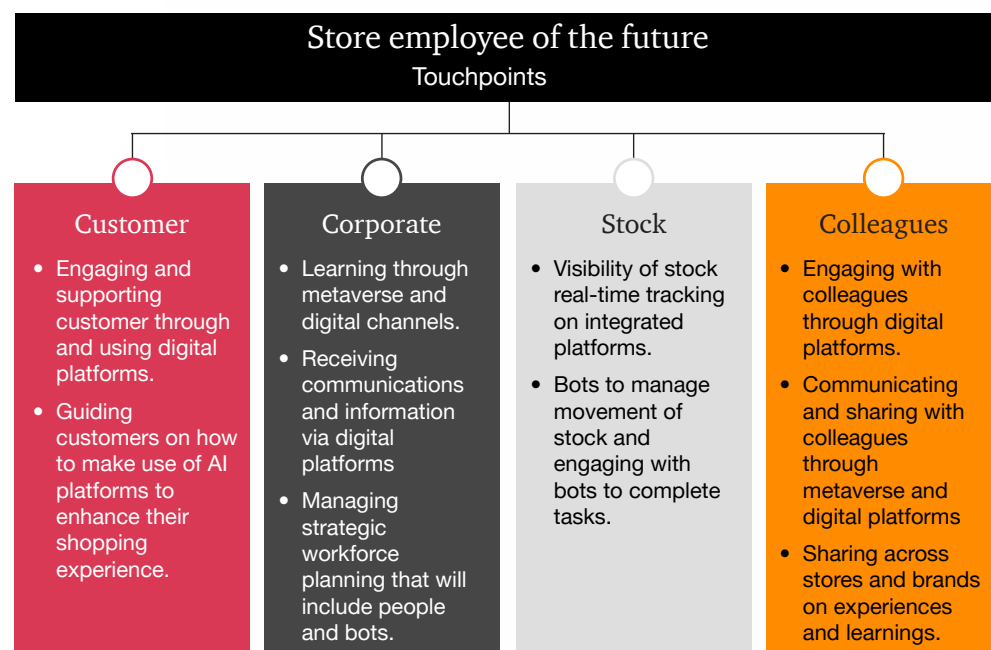
Enabling a 'phygital' experience for customers



A **phygital experience** entails a seamless blend of digital and physical shopping. As technology continues to evolve, shoppers are increasingly drawn to digital features that can enhance their in-store shopping. In the South African context, spending time in malls and physical stores is becoming more of an entertainment activity. Here, there are wifi and warm food options, which often are not available consistently in the home environment where load-shedding is a revived reality. A physical store gives comfort and the perception of increased choice. This indicates a desire for a more holistic shopping experience that leverages the best of both worlds. To prepare for this shift, it's essential to address several key workforce touchpoints such as acquiring new skills, addressing reskilling needs, and adapting managerial and leadership skills.

Workforce disruption and shifts in the store of the future

A day in the life of the future ...



To balance investments in human interaction with offering an engaging digital experience, retailers need to reimagine and redesign the service operating model to empower frontline staff with the right skills, visibility and access to integrated technology to efficiently and effectively resolve customer queries across multiple channels.¹⁰

¹⁰ PwC, 2023. South African Retail Sentiment Index 2023, <https://www.pwc.co.za/en/publications/south-african-retail-sentiment-index.html>



How will jobs, skills and ways of working change in the store of the future?

1. Jobs

Traditional jobs are becoming a matter of the past as retailers notice the need to rethink them either by augmenting or replacing existing ones, or creating new jobs. While some instances call for a clear and drastic shift in jobs, others require slight augmentation where employees' roles change marginally but their current skill sets can largely be retained. Retraining allows for talent retention, employees remaining familiar with their organisation and its customers, and the most appropriate job duties being carried out with little disruption in a world where disruption is the norm.

While currently, store packers are instructed to pack shelves in a traditional manner, their jobs may be augmented to include a degree of style or structure as a future skill. Customers are searching for experiences and employees need to provide more than just an aesthetically pleasing display of items. Arranging inventory must be captivating as much as it is enticing — interior design skills must then be elevated. Neuroscience shows that retail-ready display platforms increase impulse buying. Traditional market analysis and consumer behaviour jobs may be replaced with those that make better use of AI and analytics tools to draw consumer insights.

With inflation on the rise, consumers are looking for more ways to save money. AI provides an ideal opportunity for retailers to collect and utilise data to personalise the customer experience. With this comes the need for jobs that specialise in nuanced people analytics and consumer behaviour.¹¹ This involves innovation in loyalty programmes that go beyond current trends of customer discounts: the future of loyalty is experience based.¹²

Examples of how jobs are expected to shift in the retail sector include:

- **Employees fulfil hybrid jobs.** Salespeople's roles will be augmented to interact with customers online, increasing the talent pool and reducing geographic limits on recruitment.
- **Augmentation of the inventory management job** where increased digital upskilling includes skills in pricing automation.

¹¹ PwC, 2023. South African Retail Sentiment Index 2023, <https://www.pwc.co.za/en/publications/south-african-retail-sentiment-index.html>

¹² PwC, 2022. Creating loyalty in volatile times, PwC Customer Loyalty Survey 2022, <https://www.pwc.com/us/en/services/consulting/business-transformation/library/customer-loyalty-survey.html>



The birth of retail digital champions

A job that retailers should focus on creating is that of a digital champion. Where there was limited need before to have deep digital skills on a shop floor, this is becoming increasingly more important for retailers to achieve their strategies of transforming into centres that create efficiencies through digitisation. With the use of technology and automation becoming more prevalent, it is vital to ensure that employees and customers feel comfortable and equipped for the inevitable integration of technology into the physical store. This requires a digital champion to create excitement around the benefits of this and to be digitally knowledgeable to support both customers and employees with this integration.

Digital Champion

Thando

Motivations

- Finding ways to improve the employee experience to ensure they can provide the best customer experience.
- Spend more time reinventing his business.
- Maintaining a competitive advantage in the industry and retaining top talent.
- Creating innovative strategies to ensure his store is ready for the future.

Background

Thando primarily works remotely, with some days in the store when needed. In a day, he oversees the daily operations of the store to make sure it runs smoothly. He enjoys interacting with his employees; it makes him happy to hear about their experiences and what they would like to improve.



Technical Skills

- Digital Acumen
- Good written and verbal communication
- Greater computer literacy and technical aptitude
- Product knowledge
- Data analysis
- Relationship building
- Talent management

Personal Skills

- Empathy and emotional intelligence
- Effective communication skills
- Problem solving
- Flexible, adaptable, and agile
- Customer experience skills
- Business acumen
- Strategic outlook

Responsibilities

- Thando's main tasks are to ensure customers are satisfied and to find ways to ensure customer loyalty.
- Collaborate with business stakeholders to plan and develop business strategies to ensure his store remains profitable and the best in the industry.
- Create an employee and customer experience vision and ensure it is realised.
- Ensure his current employees are equipped for the future of work and invest in training to close any skills gaps.

From 'Store Manager' to 'Customer Experience Manager'

Carmen is a driver for digital enablement within the business. She primarily handles queries related to the app used in store as well as encourages others to use it to enhance their experience. She enjoys interacting with customers and employees to enhance their digital experience and likes to hear positive feedback regarding the use of technology to enhance an in store experience.

Driving sales through the customer experience manager

Carmen

Motivations

- Ensuring customers and employees have a seamless digital experience.
- Receiving positive feedback on the use of technology as well as constructive feedback to be aware of improvements required.
- Seeing others motivated and excited to incorporate technology into the in store experience.

Background

Carmen is a driver for digital enablement within the business. She primarily handles queries related to the app used in store as well as encourages others to use it to enhance their experience. She enjoys interacting with customers and employees to enhance their digital experience and likes to hear positive feedback regarding the use of technology to enhance an in store experience.



Technical Skills

- AI-related
- Digital acumen
- Innovative thinking
- Systems thinking
- Attention to detail
- Knowledge of current digital trends and able to make recommendations for staying ahead of competitors.

Personal Skills

- Change ready
- Self-awareness
- Adaptable
- Active listening
- Excellent communication skills

Responsibilities

- Carmen champions the use of technology to ensure an enhanced customer and employee experience both at store and region level.
- To be knowledgeable of all digital, AI and Bot-related applications used in store and to be aware of any new improvements that should be made to ensure a more seamless experience.
- She handles AI and digital-related queries and support for colleagues and customers.

2. Skills

Creating, augmenting or replacing jobs would be pointless unless retailers understood the reason for them and the skills that should accompany these future jobs. Different leadership styles are required to keep employees in changing roles engaged and focused on the customer experience. This calls for in-depth leadership development beyond what has traditionally been the norm. Three types of skills dominate the retail sector of the future: digital skills, power skills (soft skills) and AI-related skills. Introducing appropriate learning journeys at the right time and for the right purpose is critical to gain adoption and understanding of their necessity. These skills can be seen either as hype terms or can be critically examined and introduced for their role in optimising the retail business — this will be the difference between those who thrive and those who are left behind on the workforce skills journey. HR staff, and especially those driving the life-long learning division, must be keenly aware of the repercussions of how these skills are socialised.

3. Ways of working

To shape the future of retail stores, jobs and skills must adapt to introduce new ways of working. Current ways of working will suffice for only a short while longer, and consumers will likely start looking elsewhere for their expected in-store customer experience. Customer service is one of the most prominent retail-related conversation starters among customers, making it the most impactful word-of-mouth lever for retailers.¹³ Customer service skills are beginning to evolve from traditional customer-centric behaviours to improved EQ and the ability to relate to consumers in a way that not only drives sales but allows for a memorable positive experience that'll spread across platforms. Therefore, positive employee conduct within stores should not only be advocated for, but become embedded into the way stores operate. It should become part of the organisational culture.

Retail organisations need to strive for the type of cultural traits that will drive them toward achieving their ultimate strategic objectives. Consumers are more aware of their surroundings, and in a vulnerable place for the consumer's eyes — like the retail store — “culture eats strategy for breakfast”. In an era where speed drives satisfaction, retail employees must demonstrate a sense of urgency when attending to customer needs and managing stock movements. Especially in the physical store, where consumers use the trip to the store as an outing or for entertainment and have high expectations for fast and efficient service, they should leave the store pleased with the turnaround time of services. This touches on using digital platforms and automation to their advantage. However, they can only do this if they are sufficiently equipped to utilise the available technology. As consumers become more environmentally and socially conscious, ethics in interactions with retailers becomes increasingly more important. Ethical conduct in responding to queries about product sourcing and ingredients how employees gain trust from consumers, especially in instances where the retailers are environmentally and socially responsible.

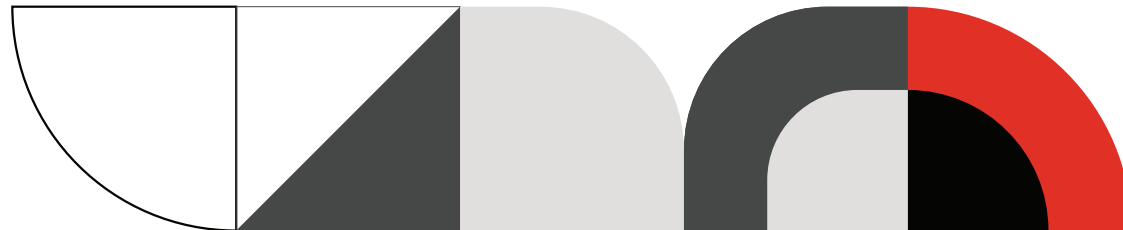
Key questions to reflect on:

- Do we understand how retail trends affect our business?
- How can we compete in the world of a disrupted sector and workforce to maximise our market share?
- How do we best position ourselves to create a customer experience that helps us achieve our organisational strategy?
- How do we reskill/upskill our workforce to be able to be digitally fit?
- How do we employ and retain top talent?
- How do we leverage the latest technologies to ensure efficiency while also enabling our workforce to have the capacity to provide an excellent customer experience?
- How do we ensure that culture allows us to achieve our strategic goals?

What do retailers need to do to pivot?

1. Equip their workforce with the required skills to effectively deliver service to the customer.
2. Create an environment that supports new ways of working.
3. Invest in digital workforce capabilities at store level.

Current trends in retail suggest a shift in jobs, skills, and ways of working in the future. However, this does not mean that the role of the physical store is no longer relevant. Rather, a shift is needed in the way the future retail store is managed and in managing the workforce. By focusing on the key workforce shifts to reskill and upskill key talent, integrating technology into the physical store to achieve a phygital customer experience, and re-evaluating the business strategy, your organisation can be uniquely positioned to maintain a competitive advantage in the industry.



¹³ PwC, 2023. South African Retail Sentiment Index 2023, <https://www.pwc.co.za/en/publications/south-african-retail-sentiment-index.html>

Authors



Marthle du Plessis

*PwC South Africa Partner
Africa Workforce of the Future Platform Leader
marthle.du.plessis@pwc.com*



Anton Hugo

*PwC South Africa Partner
Consumer Markets Leader
anton.hugo@pwc.com*



Clive Speelman

*PwC South Africa Workforce of the Future Consumer Markets Lead
clive.speelman@pwc.com*



Anneke Fellows

*PwC South Africa, Senior Manager, Consulting
anneke.fellows@pwc.com*

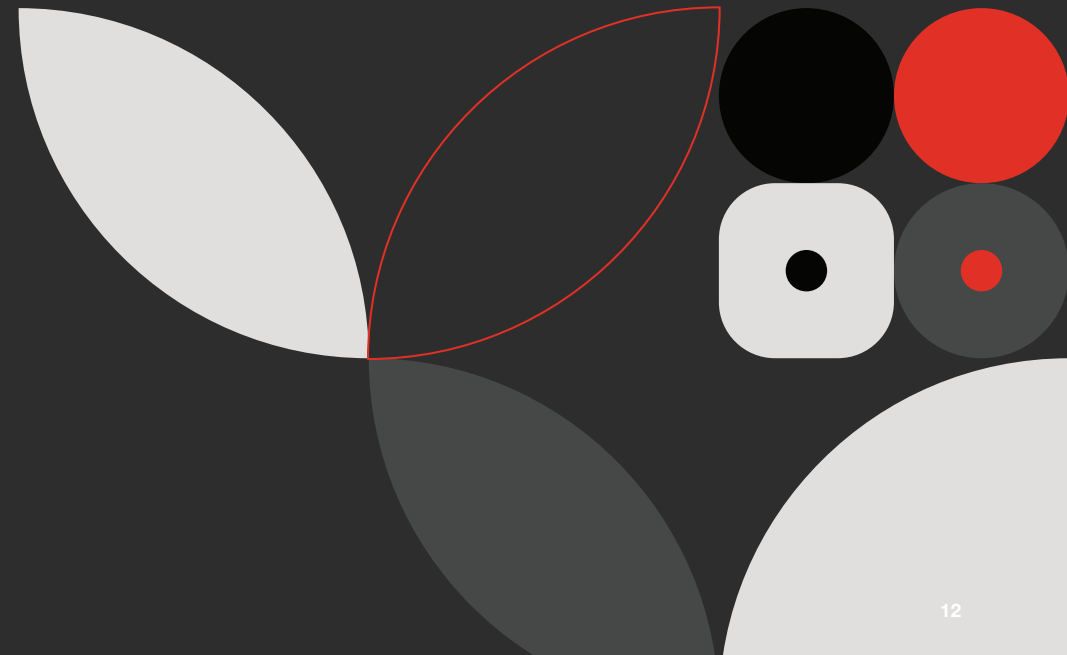
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Carla Greenland

PwC South Africa Manager

Mineschke Botha

PwC South Africa Associate





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