

How Retailers Can Re-Imagine Compensation to Attract Digital Leaders

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The pandemic has made omnichannel and digital expansion an **urgent priority for traditional retailers**. Companies with prior investments have an early lead, but those that invest now in market-leading digital platforms can also capture market share from slower competitors. Omnichannel sales have now become essential for retail survival and future growth.

A major challenge here is hiring senior-level digital talent to carry out this agenda. To compete for these scarce leaders in a fast-paced talent market, retailers will need to re-imagine their compensation practices.

Why Hiring Senior-Level Digital Talent Is Difficult

Senior-level technology roles in retail traditionally focused on internal infrastructure and systems. Senior-level digital roles in retail are still fairly new and require a specific set of applied skills. It's no surprise that the current pool of proven talent falls far short of demand. Many retailers will therefore need to broaden their search beyond their peers. Each source of talent comes with challenges and requirements, including the affordability and transferability of candidates' skills.

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Figure 1

TALENT SOURCE	SELLING POINTS TO THE CANDIDATE	COMPANY PERSPECTIVE
<p>TECH Senior leader from a technology company that creates software products or services</p>	<ul style="list-style-type: none"> • Challenge of working in a different industry with new operational variables (stores, supply chain) • Opportunity to be the sole leader of the technology function 	<p>\$\$\$</p> <ul style="list-style-type: none"> • Likely requires matching high pay and pay upside in the tech industry to recruit over to retail • Hiring from outside creates risks from limited transferability of skills
<p>STEP-UP Rank 2 digital leader from a large retail organization with an established digital platform</p>	<ul style="list-style-type: none"> • Gaining responsibility and strategic oversight to become a Rank 1 digital leader • Taking on a higher title and a higher pay package 	<p>\$</p> <ul style="list-style-type: none"> • Recruiting someone from below the executive level is a more affordable option • But hiring an unproven leader presents a risk • Better suited for smaller or struggling retailers
<p>LATERAL MOVE Digital leader from a similarly positioned retailer or adjacent company</p>	<ul style="list-style-type: none"> • Cementing one’s reputation as a digital trailblazer in retail • Owning the full development of the digital platform • A step up in pay, strategic oversight, and/or status on the overall executive team 	<p>\$\$\$</p> <ul style="list-style-type: none"> • Requires paying at a premium or offering additional perks to make a lateral move • Candidate’s familiarity with the industry and leverage may bring special expectations and requests
<p>DIGITALLY NATIVE Executive from a retailer with a DTC model and small or no store footprint</p>	<ul style="list-style-type: none"> • Opportunity to transform a traditional retailer into a digital leader • Challenge to work with new operational variables (stores and omnichannel) 	<p>\$\$/\$\$\$\$</p> <ul style="list-style-type: none"> • Varied and dependent on the candidate’s current position • These companies offer a large pool of recruitable talent, but executives may lack experience with scale
<p>ACQUI-HIRE Acquire a company already offering digital platforms and fulfillment; this is a more holistic approach than hiring a single leader</p>	<ul style="list-style-type: none"> • Similar to Digitally Native, opportunity to transform a traditional retailer • Note that selling points must focus on retaining the acquired talent 	<p>\$\$\$\$\$</p> <ul style="list-style-type: none"> • Includes the added cost of purchasing and folding in the IP, infrastructure, and human capital • Additional costs likely rule out smaller and struggling companies with less liquidity or available capital to finance an acquisition

Retailers face two additional challenges in recruiting digital leaders. First, the fast-paced and highly competitive talent market makes it difficult to predict pay, so market benchmarks typically lag real-time dynamics by at least one year. Given the urgency to appoint a digital leader, retailers often feel pressed to pay a premium to secure a candidate.

The second hurdle is for retailers to understand the competitiveness of pay packages they're able to offer. The majority of traditional retailers that lag in digital investment face similar barriers to recruit. Equity often has limited near-term growth potential, higher equity-usage limits the practicality of inducement and special awards, and a large store fleet may be cumbersome to digital investment.

Due to the leverage that digital leaders bring to these negotiations, retailers should prepare to customize their offerings and selling points to address the individual's demands.

New Compensation Structures to Compete for Digital Talent

Most retailers will have little choice but to pay up, even where that means diverging from typical pay practices. Digital is essential to their survival and growth, and a strong leader can have a transformative effect on a struggling company.

At the outset, retailers may have to offer digital leaders a higher mix of equity, higher positioning relative to market benchmarks or larger-than-typical inducement awards with customized vesting terms. Later on, special retention awards may be necessary as this talent market continues to heat up. That said, divergence should be kept within a reasonable range relative to the rest of the team to minimize inequities among senior leadership.

Yet, retailers should also recognize the advantages they can offer over other destinations for digital talent. A successful turnaround can still boost share prices substantially over time, and meanwhile, an established retailer can offer a steadier pay structure with higher levels of cash.

Conventional retailers should also reframe their urgency as a selling point for the candidate. They can credibly promise a candidate the opportunity to be the sole digital leader, own the strategic direction, and build the digital platform. For candidates excited about this opportunity, retailers can tweak pay magnitude and structures to win them over.

Hiring digitally savvy leaders isn't going to be easy for traditional retailers, but these companies bring some unique selling points, along with some structural advantages. They just need to re-imagine their compensation packages. ■

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