

Retail's digital brain drain

Digital leaders are leaving retail to join sectors where their skills are more appreciated. Gemma Goldfingle tracks the trend and asks what can be done about it

When Retail Week unveiled our list of future chief executives last month, one thing was stark – the lack of digital leaders in the running for retail's top jobs.

Only Jon Rudoe, Shop Direct's retail and technology director, was pinpointed by people we spoke to – including some leading head-hunters – as a frontrunner for a chief executive role in the next few years.

That is a very different story from five years ago, when the throng of talented leaders spearheading digital transformation in retail were deemed shoo-ins for the industry's very top jobs.

"Back in 2010/2011, there were lots of senior roles created for those with the right [digital] experience. There was the promise of board positions, but few and far between have come to fruition," says former M&S multichannel development director Susan Aubrey-Cound.

So, what is stopping digital leaders getting to the top?

Aubrey-Cound, now a retail consultant and founder at footwear retailer Olive Aubrey, says giving an online specialist the top job in a multichannel retailer is still viewed as a risk, and the current challenging conditions in the sector have made business owners risk-averse.

"Retailers have gone back to the knitting in these economic times," she says.

Andy Harding, chief customer officer at Mothercare, agrees. "When there's job losses across the board, there's a tendency to resort to type," he says.

When highlighting her picks for future chief executives last month, leading headhunter Fran Minogue, managing partner at Clarity Search, said that strategy expertise is the most sought-after attribute for retail leaders right

now, while Oresa chief executive Orlando Martins says product and creative expertise is highly desirable.

"The creative side of things is becoming more important for leadership roles. So many companies have focused on optimising their sales performance but now are in need of focusing on differentiating their offer," he says.

However, Harding believes that not giving digital leaders a more central role is a failure to react to the biggest threat in retail.

"If you look at what's happening in retail – the threat of Amazon and the pureplays and how to turn your stores into profit centres rather than a drag on the bottom line – few people know how to deal with that," he says.

"Amazon is the great leveller – they are killing everyone. Regardless of where you operate, you need to understand – and I mean really understand – digital in great detail, otherwise you can't compete."

Decision-makers

Harding says one of the biggest hurdles to online leaders' progression is the lack of digital understanding by those who are driving recruitment decisions.

"The people that still make the decisions – chief executives, chairmen, non-execs and even the headhunters of this world – don't really understand digital. They need to really get into the headspace," he says.

This chimes with the experience of another senior director who comes from an ecommerce background.

He says he has been in the running for a number of chief executive and managing director roles but lost out to those from disciplines that are traditionally seen as breeding grounds for chief executives.

"The people that still make the decisions don't really understand digital"

"When there's job losses across the board, there's a tendency to resort to type"

"The [job] briefs specified that digital pedigree was the most important factor but, at the end of the day, the decision-makers went down the tried-and-tested route," he says.

So why is hiring a digital expert as chief executive still seen as a risk?

Martins says online specialists have a very different skillset from the conventional chief executive and are more "data centric".

He also highlights the difference in scale of people management. "A digital leader may manage a 200-strong team but a retail ops director could be responsible for close to 20,000 people," he points out.

Martins says that those with digital skills often are not given roles with the breadth they need to progress and recommends "cross-pollination" of talent across retail businesses to give digital experts the experience to easily step up to chief executive.

Some retailers have done that. Marks & Spencer handed responsibility for UK retail to Laura Wade-Gery, its former multichannel boss who at the time was touted as an heir apparent to the then chief executive Marc Bolland. John Lewis made a similar move when it promoted online director Mark Lewis to retail director.

However, it is notable that both Wade-Gery and Lewis were passed over when the top job became available. Both have since moved on.

"If you look at what's happening in retail – the threat of Amazon and the pureplays... few people know how to deal with that"

"It's very difficult for digital leaders to implement what they want. But venture capital and private-equity-backed businesses have more cash"

"We need another raft of senior role creation to benefit senior digital talent"

The emergence of the chief customer officer role was also seen as a stepping stone to the chief executive job for digital leaders. The role was designed to bring together online and offline channels in order to have a single unwavering view of the customer.

Companies including Tesco, Kingfisher and Asda have filled the newly created role in recent years.

However, Aubrey-Cound doubts whether the role is the stepping stone some make out: "The chief customer officer usually doesn't have any P&L responsibility, and unless you hold the P&L, you don't have clout in retail businesses."

Exiting retail

The opportunity to move sideways and learn new skills has not materialised for some digital leaders, says Aubrey-Cound.

The wider growth in digital skills over the past five years has also made some of the former top talent more dispensable, according to Martins. That could explain the lack of opportunities being made for ecommerce bosses in retail.

Aubrey-Cound agrees: "Ecommerce experts were brought in to set up businesses for the future. When the structure is in place and the heavy lifting has been done, the business can hand the reins to those with slightly less experience," she says.

However, the retail industry risks losing some highly talented individuals.

Retail is not the only industry that is being upended by digital, and the sector is becoming an increasingly rich hunting ground for talent.

Over the past year, John Lewis' Mark Lewis departed to become chief executive of Money-Supermarket.com, Sainsbury's Argos' Bertrand Ebdon has switched retail for pharmaceutical, joining Novartis as chief digital officer, and Harding joins stock photography agency Alamy as chief executive next month.

"Digital skills are transferable and sought-after, particularly those from retail," explains Harding.

Other industries might also offer these digital leaders bigger budgets to play with at a difficult time for retail, when major investments are often being put on the back-burner.

Martins says: "It's very difficult for digital leaders to implement what they want. But venture capital and private-equity-backed businesses have more cash to do what they really want to do."

Working on major projects is a strong pull for ecommerce directors, many of whom will have driven digital transformation in their businesses. Aubrey-Cound says they can find the status quo dull and be driven to seek their next big project.

It is not just other industries snapping up retail's top digital directors; these individuals are equally attractive for non-executive roles.

Former Tesco chief customer officer Robin Terrell, who was widely seen as one of digital's biggest talents, has opted to quit executive life and go plural.

Terrell's digital nous has proven so sought-after that he now holds eight non-executive roles at companies including William Hill, Wilko and Maplin.

Meanwhile, Wade-Gery joined the board of John Lewis Partnership in September.

Martins believes that digital leaders will increasingly be approached for non-executive roles. The lack of career progression within retail, coupled with the value of the digital directors' skills elsewhere, threatens to create a perfect storm.

Martins believes it will be increasingly difficult for retailers to retain digital staff and suggests businesses work hard to create comprehensive personal development plans for such talent.

Aubrey-Cound claims that change could be on the horizon. "There's a new wave of retail chief executives from other industries that are not so concerned about who does what. We will see new roles being created that are more strategic," she says.

"We need another raft of senior role creation to benefit senior digital talent."

This wave of change and reprioritisation of digital expertise needs to happen sooner rather than later or retail could miss out on those individuals with the skills that could transform the industry. **RW**