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Why retailers like Sephora and The RealReal are shuffling the executive decks

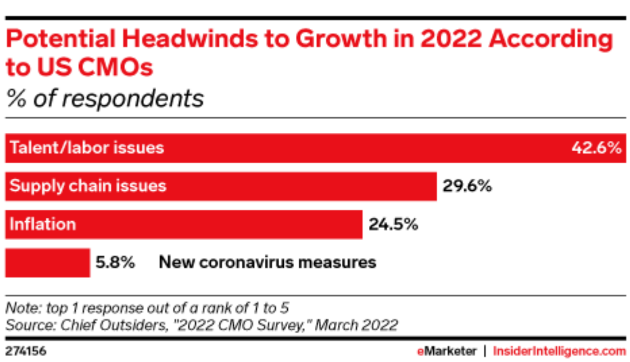
Article

The trend: As retailers struggle to adjust to a volatile retail landscape, several are shuffling their executive ranks.

- **The RealReal** founder **Julie Wainwright** stepped down as CEO, chairperson, and board member.
- **Sephora** CEO and president **Martin Brok** is out after almost two years at the helm.
- **Under Armour**'s **Patrik Frisk** resigned as CEO and a member of the company's board after two years in the position.
- **Intermix** CEO **Jyothi Rao** resigned from the women's apparel retailer after eight years.
- **Amazon**'s **Dave Clark** is leaving the company after 23 years at the retailer, including the final two as global consumer chief.

The context: The changes come at a time when retailers face a cascade of challenges.

- **Inflation continues to rage**, which is driving up retailers' product and supply chain costs.
- Persistent inflation has also pushed the US Federal Reserve to **raise interest rates**, which is causing borrowing costs to rapidly rise.
- **The tight labor market is forcing retailers to boost employee costs.**
- **The global supply chain** that all but ground to a halt in the early days of the pandemic **continues to sputter along** due to pandemic-related lockdowns, raw material shortages, and clogged ports.
- **Consumer spending habits have abruptly changed** as they increasingly shop in stores rather than online, and shift more of their spending from goods to services.



A shift in strategy: While there's no one reason driving all of the executive changes, the **array of obstacles has forced nearly every retailer to rethink its strategy.**

- Rising interest rates put the onus on retailers to shift from a "grow at all costs" mindset to a **focus on margins and profitability**.
- That makes it increasingly important for a retailer like The RealReal, which remains unprofitable even as its revenues have grown, to shift gears.
- Retailer executives also need to look ahead as **many of the current challenges seem unlikely to cease anytime soon**.
- While Under Armour's Frisk made progress in accelerating growth and expanding profitability during 2021, the company took a step back in Q1 this year. Moreover, its operating income outlook for FY23 was worse than expected due to supply chain and other cost pressures, per Retail Dive.

The big takeaway: While some retailers have navigated the current landscape better than others, no company executive has a perfect track record. Yet some have positioned their organizations better for the future than others.

- The strategies that worked over the past decade, when retailers had plenty of access to cheap capital, are unlikely to succeed over the next few years.
- That's driving some merchants to seek a fresh perspective.

***Go further:** For more on The Era of Uncertainty, read our report here.*