

Engagement insights are key enablers for achieving enterprise transformation at leading cosmetics retailer

The beauty industry has experienced widespread disruption in recent years. Millennials don't want to buy cosmetics the way their moms did. An explosion of new products has appeared along with fast-growing retail chains that challenge conventional outlets like drugstores and department stores. And online sales now account for 10% of the total market.

Sally Beauty Holdings (NYSE: SBH) occupies a unique place in the rapidly changing beauty industry. Since opening its first store in New Orleans in 1964, the company has become an industry leader with nearly \$4B in sales, 30,000 associates and 5,000 stores worldwide. The largest distributor of professional beauty products in the U.S., Sally Beauty Holdings operates through two segments: Sally Beauty, which serves retail customers, and Beauty Systems Group—branded as Armstrong McCall, CosmoProf. and Loxa Beauty—which focus on serving salons and salon professionals.

Understanding and Improving Employee Engagement

The retail and professional beauty products industry has proven to be recession resistant over the past twenty years, but the competitive landscape has fundamentally changed. Liz Barracliffe, Sally Beauty Holdings' VP of Talent, recognizes that associate engagement is a key enabler for achieving the company's objectives for growth and innovation across each of its divisions. "Being agile and customer centric has long been a cornerstone of our culture. Understanding and improving associate engagement is vital to maintaining our competitive advantage," Barracliffe said.

Finding the Right Engagement Survey Partner

Barracliffe believed that finding the right engagement survey partner was critical. She began by conducting her own research and compiling a list of seven key engagement enablers. She found that these enablers closely aligned with the Engage2Excel RESPECT survey platform by Jack Wiley, Ph.D. She chose Engage2Excel as the SBH survey partner for several reasons, including the 30 years of research behind its methodology, its practical approach for translating engagement insights into action, its intuitive survey platform interface and the responsiveness of the Engage2Excel team.



Sally Beauty Holdings RESPECT Survey Components

Conducted in Nov. 2016, the survey was administered to associates across the company's U.S. operations, including its corporate offices, in Denton, TX, distribution teams, and Sally Beauty and Beauty Systems Group stores. The survey explored the seven dimensions of engagement, summarized by the acronym RESPECT: Recognition, Exciting Work, Security, Pay, Education & Career Growth, Conditions and Truth. The survey also

- Assessed senior leaders and line managers
- Measured associates' engagement with—and confidence in—the organization
- Examined cultural values for associate value proposition creation

Results Provide a Roadmap for Improvement

The majority of Sally Beauty Holdings employees like their work, feel that they are part of a team of highly cooperative coworkers and are proud of the organization. They also believe their managers provide recognition and treat them with respect. However, three key opportunities for improvement were identified through the survey:

- Performance-based compensation
- Education and career growth
- Two-way communication

Managers created action plans for each item and are now reporting progress on a regular basis.

Summarizing the benefits of the survey, Barracliffe concluded, "The impact has been significant. There is a new level of transparency and meaningful dialogue that is helping us transform into a talent-driven enterprise."