

Rapid Response Transcript – Janet Hayes

“How flexibility creates momentum”

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JANET HAYES: I started in the deep dark nights of COVID. And you couldn't tell where the beginning, middle, or end of where we stand today is, but I had to address challenges head on from day one.

We needed to make things easy. We needed to make it purposeful, and we needed to make it clear. There's a big emotional strain that people are working under. This is massive disruption. I would say we're having as much people disruption and labor disruption as we are supply chain disruption.

I believe you have to start with trust and the results will come with it. Retail's hard. Retail will kill you if you don't love it. You have to have the passion for what you do. And ultimately, I want happy employees.

BOB SAFIAN: That's Janet Hayes, CEO of Crate & Barrel Holdings.

Under her stewardship, and in the midst of the pandemic, Crate & Barrel has seen a surge of growth.

I'm Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Janet because she took over in August 2020, when Crate & Barrel's stores were closed and uncertainty about Covid-19's impact on retail was acute.

Her response was to be flexible with her employees, but aggressive with her brands and the business, identifying new opportunities and investing in new tools and approaches.

She talks about turning Crate & Barrel Holdings into a more modern company, digitally led, focused on sustainability, gathering insights about customers in new ways.

But most of all, she stresses the human element in motivating and activating her team – and in learning from them. The customer will be the beneficiary, she says, in how we all treat each other.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Janet Hayes, the CEO of Crate & Barrel Holdings. Janet is coming to us from the company's headquarters in Northbrook, Illinois, as I ask my questions from my home in Brooklyn, New York.

Janet, thanks for joining us.

HAYES: So happy to be here. Thank you for having me.

SAFIAN: So, I have to start out right away by asking you about supply chain issues right now. There's been so much discussion. It's terrible. It's not so bad. Shifting information. Customers have to wait too long for products, that's hurting things. Driving up prices. Maybe none of that's happening. What's the status of all that for Crate & Barrel Holdings as we go through the holiday shopping period?

HAYES: I think about it every day. Even before we go through the holiday period, it was right upon us. About 12 months ago, maybe even a little bit longer than that, there were whispers of this beginning overseas. And in the last 12 months, it has slowly climbed on our shores and into our own yards. So it is something that is on our mind every single day. It is disruption from a vendor base to the ship, to the port, to the trucks, to the rising cost of labor in our own stores.

We have tried to offset as much as we can within our own supply chain. We've also tried to show tremendous grace to our partners because the beautiful thing is we're all facing this at the same time, we're all learning, and we are all trying to get the same thing accomplished. So there is a tremendous amount of teamwork I'm seeing across the industry and sharing of knowledge that I think I've never experienced before.

But as far as what's happening with us, we are offsetting strategies as much as we can, whether that's eliminating any time we can see in our own transportation system, eliminating time to store it. The advantage we have over some is our stores and using our stores as almost mini distribution centers. And that's also taken time out of supply chain.

SAFIAN: How far out can you plan around these supply chain disruptions? Or do you just sort of have to react to the conditions as they change around you?

HAYES: We've done both, honestly. It's both feet on the pedal. There's no break involved right now. There's the short-term reaction, whether that's how long ships are waiting at the port, or what countries are open or closed, but we've also taken a moment to reposition and been much more strategic on a long-term planning view. I think we've given our vendors views to our growth three years out. Whereas, previously, we're at a much shorter timeframe than that. So it's a short-term reaction, but putting plans in place for the future to be able to sustain this amazing growth that we've seen in the last 18 months.

SAFIAN: So you came in as CEO in August of 2020, which was its own moment of high uncertainty to come aboard.

HAYES: That's right.

SAFIAN: Right? In the retail business and the world at large, you were previously president of the Williams-Sonoma brand, now you have multiple brands in your portfolio, a different leadership role. When you first came in, what was the challenge given the environment, and what did you focus on first?

HAYES: Yeah. I always say when someone asks me, "When did you start?" I say, "I started in the deep dark nights of Covid." I moved my family from California to Illinois at the end of July, and started at the beginning of August 2020. And you couldn't tell where the beginning, middle, or end of where we stand today is, but there was frankly really no time to get settled. I had to address challenges head on from day one. Day two was a board meeting. So I had a nice, slow introduction. But since then, we've had a pivotal re-centering on what's meaningful in all of our lives and how we view our home, our work, and ourselves.

And as a result, we prioritized the human over any transaction. We started focusing on connecting with our customers and meeting them where they were by looking at the products they were buying, helping them build a home with purpose. We had greater emphasis on our digital right away and the offerings there, as well as the ease. Our digital design services became incredibly important.

And despite never having been in the room still to this day at about 70% of our employees, I was able to connect with them through constant communication. I think only harder than going through the pandemic was probably getting a new CEO through the pandemic. So I actually really did have empathy for the group. Me being another straw on the camel's back there, I did not want to be the one that broke it.

SAFIAN: You did a review of the brands when you first came in. Was the focus of that around sort of clarifying who the customer was for each brand, or the personality of the brands?

HAYES: No, it was really ... The customer was sitting right in front of us. They were jumping up and down off the page, waving their hands, saying, "See me, see me." The data was there. I could see the customer, we could see the customer. It was more about making sure that each of these brands were driving with clarity and purpose in really prioritizing those messages for the customer, taking away all confusion. Honestly, all of our customers, they were going through so much in their life. We needed to make things easy. We needed to make it purposeful, and we needed to make it clear. So it was really a review to make sure that each of these brands had their own place and were driving with purpose.

SAFIAN: Can you give us an example of how that shows itself in one of the brands?

HAYES: Let's talk about Crate & Barrel. Right? Crate & Barrel, that was probably where we did the most work. And I called Crate & Barrel, when I began, the sleeping beauty. It was a brand that people have just a big affinity toward in their minds. It was a place where if you ask somebody about Crate & Barrel, they'd say, "Oh, I registered there," or, "Oh, I used to shop there with my mom." Everyone could pull up a positive memory, but not recency. Right? There was no recency with the brand. So we came in as a team, and pulled together and started writing a new vision. And we did reposition the Crate & Barrel brand to deliver a home with purpose. And the minute we ignited that vision, we were set forward into a new place.

The Crate & Barrel brand actually is one of the few brands in the specialty retail market that actually serves the whole home: the kitchen, the bedroom, the kids, the living room, the sofas. It is an incredible brand full of value and beauty and great quality. So we just had to get those words up front and ignite all the good things about the Crate & Barrel brand and put it on its way.

So it was a fun job, it was a hard job, but we really ignited a lot of new programs, whether it was wedding registry, interior design, trade business, clarifying our retail floors and improving our digital design services. Crate & Barrel went through a complete overhaul and really accelerated over the last year.

SAFIAN: Yeah. Hard to do a reset of that kind when the environment around you is moving and you're not in-person with all the folks you're doing that work with.

HAYES: Very difficult, but this team continues to show resilience and flexibility every which way we worked – collaborating over Zoom, designing over Zoom. We did have some small in-person meetings as the mandate started lifted, and we can get people back in the building. And that was so fun. I mean, to have everyone come into a room that I'd only met via screen, and for us to be standing in front of the product that we had been dreaming about and talking about, and looking at sketches on sheets or doing late night Zooms with factories overseas, to come into a room and see it come alive in front of us. There's just been nothing like it.

SAFIAN: I know you have a long history and passion for retail. You started working in retail as a teenager, if I have that right.

HAYES: That's right.

SAFIAN: Do you spend much time going to stores? When could you start to do that?

HAYES: Well, it's been limited in the last year, for sure, for obvious reasons. The stores were closed for the first six months that I was here. And as they started to open, I did start to visit them. No one loves a good store more than me. And no one is more critical of a bad store than me. But when it's good retail, I can feel it the minute I walk in. Probably within 10 feet of being in any good store, I can feel it right when I walk in. And so, yes, the stores, I cannot wait to get more involved in the stores. It's something I'm really looking forward to in 2022, but being closed and actually being able to walk quietly through a store while it was closed was an unbelievable moment to reimagine what the future could look like.

It was as if they were frozen in time. "How do we want to reinvent the store? How do we want the footsteps of the customer to go? How can we make it easy? What do we do to bring the digital side into a store, and then the personal side of retail onto a digital platform?" And during the pandemic, we were afforded that time to really think through, "How do we become the best omnichannel retailer?" This very difficult time has afforded us these moments to pause and to think and to innovate.

SAFIAN: What makes a good store and what makes a bad store? Like you say, you know right away when you walk in. Are there tips of things that you're like, "Oh, I know that works, that doesn't work?"

HAYES: I'm a big believer in intuition, and I follow my own footsteps. And if my footsteps get interrupted or if I can't figure something out, I know the customer can't figure it out. Signage is clear. Service is right there if you need it, but not if you don't, right? You don't want that overwhelming service. Nothing will ever substitute for good product. So you have to have your best product, the right product. Whether that's local product into the store you're in, or your best-sellers looking beautiful. But for me, it all goes back to how the footsteps travel through the store.

And I think we're in a cycle right now where people are surgically shopping. The long journey meandering through the store might not be the cycle we're in right now, right? So make it easy on that customer. It's really basic retail, but sometimes you lose those basics, right? And this has given us a moment to recenter and draw back into, let's do some destination shopping, right? Let's get this organized and drive with clarity through stores and keep it inspiring and centered on service.

SAFIAN: And in this pause that you had, the innovations that you were able to unpack or identify, are there any that you're particularly excited about?

HAYES: Listen, I am excited about our entire future. We're going to bring into some new store models, not only for Crate & Barrel but for CB2 as well. We're opening in new markets for CB2, as well as Hudson Grace. We have moved Crate & Kids. We've declared it a digital brand, and we're going to go after Crate & Kids in a very cool, inspirational, digital way. And we are a digitally-led brand, and so the work that the teams

are doing on experience on the sites, whether that's around conversion or content or marketing has just been really game changing. You can't stop my excitement in front of any of this.

SAFIAN: We've seen this cycle where there have been digital-only brands who suddenly realize they need more stores, right? And then you have traditional brick-and-mortar stores who are like, "Oh, I have to get more digital." So when you describe Crate & Barrel as a digitally-led brand, what does that mean in the context of both of these? Because you have both parts of this.

HAYES: Yeah, that's right. We are an omnichannel company, but we're leading with digital insights. That's why we start digitally-led. It has to be easy for them when they begin on that. And I think, like I said earlier, the stores have to serve as an inspiration moment and an experience moment, but also, we believe that we can bring some of that digital into the store.

QR codes have reinvented themselves really during the pandemic, whether it's on a menu in a restaurant, or even getting your vaccine. Whatever it may be, right? Because QR codes, how does that play in our future? We actually launched digital catalogs during the pandemic that we saw a huge change with our customer behavior on. So there are ways that the digital experience will bring itself into what was still before, whether that's a catalog or a store. And we believe that the more we lean into and invest into this digital future, the stronger every channel will become.

SAFIAN: And are there new kinds of data sources that you turn to for this?

HAYES: We are constantly listening to our customer on the trends. For instance, we saw a few months ago that everybody was pinning colored glassware. So we quickly gathered together that insight from Pinterest, and the team pivoted quickly, and we had colored glassware in our assortment. So we pulled together just, quite frankly, an email on colored glassware and put it out there. Next day, the colored glassware went through the roof. So you can grab your data from all different places. We got to just keep listening to what's important to the customer, what they're interested in, but that's real time data. That's how we're using real time data.

[AD BREAK]

SAFIAN: Before the break, we heard Crate & Barrel Holdings CEO Janet Hayes talk about supply chain challenges, what it was like to take over as a CEO during the pandemic, and the steps she's taken to reignite the company's brands.

Now she delves into the lessons she's learned in managing workplace challenges, and why she feels talent disruptions underway now rival supply chain disruptions. She also emphasizes the

importance of flexibility, and of celebration, in leading teams. Retail is hard, she says, but if you have passion for your work, any work, the rewards are meaningful.

So one of the challenges of the pandemic era has been the workplace environments. You said earlier that you're not a good at home worker yourself, that you like to get into the office. You get distracted. There are a lot of new ways of working for those in offices. There are new strains and requirements for those in retail stores. So how do you think about those two realms, your office-based workforce, your store-based workforce, and how you manage each of them?

HAYES: Our main focus throughout the pandemic was to keep our employees and our customers safe. And with that in mind, we've guided through a lot of the CDC recommendations. And communication and transparency have been key, but you're right. There's a different workforce inside a retail company. And again, listening to what they needed, showing empathy, but most importantly, showing flexibility to what they needed was how we navigated successfully through coming out with a new workplace, right?

I mean, we've declared ourselves a flexible workplace with a modern view. As far as the HQ environment, for me, it was really listening and watching the leaders under me. And each function and brand and team really almost organically started creating their own new work environments. For instance, the digital team was happy being remote. The brand teams knew they needed to be together at least three days a week, right, because they're pulling together on collaboration. The marketing team said that they could work three days a week. As soon as I said, it's a flexible workplace, and I'm going to value talent and collaboration and results over location, and I trust you to make the right decisions, everybody made the right decision. And they are working faster and smarter than they have ever worked in the past.

SAFIAN: How do you calibrate how much pressure I guess, or what the demands are for your workforce relative to the emotional strain that we're all operating under also?

HAYES: Well, I think you start right there, and I have to realize there's a big emotional strain that people are working under. This is massive disruption. I would say we're having as much people disruption and labor disruption as we are supply chain disruption. We're going to step back and see, this was as big as the supply chain, and we are all going through tremendous change. So again, I have empathy and excitement at the same time. There is no question in my mind that my team, this company, is working hard. So if we start there with the trust, we're all going to start in a much better place, right? And the results are showing it. We have record customers, we have record growth, and we have a record change. So if anything, I'm worried they're not celebrating enough with each other.

I'm worried they're not giving each other enough recognition for what we're going through. I try to start every meeting with a "thank you. And I hope you guys are

celebrating and realize that this is a time that is amazing.” And I want them to stay present in this time. They're changing the company, that is a big responsibility. That takes an emotional toll. Plus, they're trying to take care of their own families. So I believe you have to start with trust and the results will come with it.

SAFIAN: We've heard a lot about this great resignation. Have you seen that in your business?

HAYES: Yes. I have seen some of it. I would not be honest if I didn't say yes, I have seen some of it, and I embrace it. Honestly, I've had a talk with a few people that have left Crate and Barrel Holdings and said, "Why are you leaving?" And they said, "My dream job appeared." And my answer is, "Go get it." Truly, I want people to be happy in what they're doing. Retail's hard. You have to be all in on retail. Retail will kill you if you don't love it. I wake up every day excited about what we do, and it's hard. It takes a lot out of you, so you have to have the passion in here. You have to have the passion for what you do. And ultimately, I want happy employees.

SAFIAN: You talk about the record growth. There are businesses that kind of boomed early in the pandemic. And then as things, I don't want to say normalized, but as we got used to the conditions we were in, things slid back a little bit. It doesn't sound like that's happening in your business. How do you gauge what that trajectory will look like as demand fluctuates and our experiences fluctuate?

HAYES: Yeah, it's a question we ask ourselves every week, and I will tell you that I feel confident that there are trends, right? And we're standing in front of a big tailwind right now in the home business, whether that's the actual buying and selling of homes that creates demand for us. People moving creates demand for us. We see people spending more time at home. All of those are tailwinds for us.

And yes, they most likely will slow for some retailers out there. But over the last 16 months, the strategies that we have put into place behind our supply chain, behind our digital, the investment we're making, will keep us moving forward past these trends. We are bringing more products to market. We're going to be entering categories we've never entered before. We're going to embrace what we see as trends like weddings. We know we're on an uptick because the weddings were held back for a year, but also, that's Crate & Barrel's moment. That is a part of the history that got a refresh and will feel new and fresh going forward. I believe the strategies we put into place will take us past this moment into future growth.

SAFIAN: I'm curious what sustainability looks like for Crate & Barrel, how you think about it and what the role is in the strategy and the home for purpose?

HAYES: Yeah. I mean, sustainability has always been a personal passion for me, and I don't even think I realized how much California had rubbed off on me, growing up in California, being raised in California. So, I now realize it is a personal passion for me,

and I want to make sure I'm doing my part to make the world a better place for the next generation. And as a company, we're in the midst of evaluating and increasing our commitment to sustainable solutions in the planet. We've designated a task force, spanning all departments, but we're not waiting. In the last 16 months, we've looked at product with more sustainable eyes, whether that's FSC wood, organic cotton, Okitex, GREENGUARD Certified.

We've taken a look at how we're building our buildings. We just built a new distribution center here in Illinois, Romeoville, which just won a three Green Globe award based on sustainable practices. We have to approach the entire supply chain all the way through the culture, everybody believing in our power to change what we are doing to the planet.

SAFIAN: There was a time where sort of customers would say, "Oh, sustainability is important to me." But when it came to actually buying product, they would buy whatever they liked, and it wasn't necessarily highly ranked in their choices. Is that something that you see adjusting at all that people are making it more of a priority in terms of what they purchase?

HAYES: I do. I do see that as a priority, and I'm thrilled about it. People are attracted to companies with purpose. One of the things we can do is continue to focus on quality and make sure our products don't end up quickly in landfill, and these are choices that are important to our customer.

They're becoming a mandate actually to our customer.

SAFIAN: So, if I can ask you to look back on the 16 months you've been at the helm there at Crate & Barrel Holdings, are there lessons that you take away from the experience so far?

HAYES: There have been some incredible lessons: be a flexible company. It's new, and it continues to challenge us to think like a modern company. What we've gone through in the last 16 months has driven for clarity around our commitment to each other and the customer. It's something that we all probably know as humans, honestly. It's to make the right choices, do the right thing for people. We've learned over the last year, retail's a team sport. It's a team sport. And to open the view up to include more people into the team, whether that's your vendors or people in the supply chain, and to give them grace during this time, that will come around. The customer will be the beneficiary to how we treat each other.

SAFIAN: And for you personally as a leader, are you a leader the same way now as you were when you came in 16 months ago?

HAYES: Great question. No, I'm not. I am humbled by what I've seen. I came in thinking, "Oh, that's good. They don't have to teach me what a sofa is or what quality means in furniture." But what I was able to witness and be a part of has been humbling. The

innovation, the teamwork, the flexibility, the trust. It's been an incredible lesson to learn as a new CEO.

SAFIAN: What's at stake for Crate and Barrel right now?

HAYES: Customer, the customer is at stake.

The customer's going to have a lot of choices in the future, whether that's digital brands that emerge or whatever brand is in stock first and fastest. That's who's at stake, the customer. And we need to continue to focus on them and provide the best, most inspirational experience. It's the customer and the planet, right? And we have to keep our focus on our commitment to both of those things.

SAFIAN: Well, this has been great. I really appreciate you taking the time to do this. Thank you so much.

HAYES: Thank you. Appreciate you.