

Navigating the retail industry today:

Staff shortages, recession fears, cost of living crisis, and the modern shop floor

With the cost of living rising, high inflation, and pending recession creating new challenges for the retail industry, Fourth looks at the emerging trends for retailers and consumers as they return to the high street

Fourth

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Key takeaways

As retailers prepare for the busy festive season, challenges are presenting themselves with the cost of living crisis hitting, inflation peaking, and a recession imminent - we explored the emerging trends for retailers and consumers.

The data shows **63%** of retail leaders expect to hire more staff in the remainder of 2022, with retail leaders citing their biggest worries for the rest of 2022, as:



Supply chain challenges leading to a lack of product/ability to get product quickly



The impact of having to increase prices



Potential lockdowns due to Covid cases

Retail employees have their own concerns, with Covid cases rising again during the summer they are most worried about:



Understaffing due to others missing shifts



Job losses and redundancies



Fewer customers due to consumer confidence dips

42% of retail employees feel overworked and underappreciated due to staff shortages. But feel most supported with:



Payroll and associated benefits



Overall communication levels



Mental health support



Consumers are understandably being cautious with spending expectations. This year, shoppers plan to spend less on:

28%

Holidays

26%

Clothes and Shoes

25%

Luxury

18%

Groceries

Two in ten

consumers feel click and collect improves their shopping experience

Three in ten

retail leaders see click and collect as most important to business success in the next year

One-third

of retail employees believe click and collect is most likely to improve their job

Key considerations for retailers in 2022:

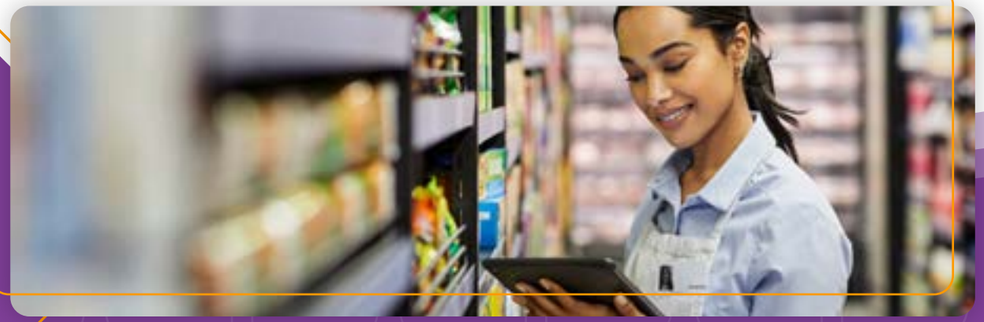
1. Expect shoppers' spending habits to fluctuate as the cost of living crisis heightens
2. Consider how the ongoing challenges, from the supply chain to price increases, will impact staff morale to avoid high turnover rates
3. Find the balance between technology, automation, and customer experience

Introduction

As retail leaders, employees, and their customers move on from the impact of the pandemic, they must now navigate a cost of living crisis. The impact of this is reflected across the business landscape, with record numbers of companies issuing profit warnings[1] in the face of rising costs and a market struggling for confidence. As consumers' wallets get tighter, retail businesses will have to ensure they're being attentive to the ongoing situation while also managing a business through a financially difficult time.

Staying attractive to shoppers, as well as retail employees, through the looming recession will vary business by business, but will include streamlining productivity, ensuring efficient workforces, and keeping price points within reach of the consumer.

In addition, our latest data suggests retail employees are worried about staffing issues due to Covid and many feel undervalued. Underappreciated employees lead to high staff turnover rates with huge consequences for a business - a constant challenge to find, hire, and train new staff. So, it's vital business leaders are considering how they best support their people - not just their customer.



We also expect that as we head towards the festive season, retailers will undoubtedly be looking to demonstrate a palpable improvement to services and customer experience to drive confidence in the high street among shoppers. As such, retail leaders need to know what consumers are hoping to see in-store to keep encouraging them back to the high street, which our data suggests is more click and collect technology, whilst ensuring they plan in-store operations effectively to support an additional channel from staffing to collection.

In this report, we analyse our latest data to show retail leaders, employees, and shoppers' main concerns for the rest of 2022; how retail leaders are responding to increased footfall - with a majority looking to hire more staff in response to increasing consumer demand; and the technologies shaping the future of retail at an in-store level and in helping keep staff engaged through a tumultuous period.



Methodology

This whitepaper is built on insights from three surveys. One was a survey of 251 HR, digital transformation, IT, finance, and operations decision makers at senior manager level or above in retail sector firms of 500-6,000 people, a second survey was of 250 retail employees in the UK, and the third survey was of 1,000 consumers (nationally representative).

The surveys were conducted by Fourth in collaboration with Censuswide in July 2022.



Navigating staff shortages, recession fears, and a disrupted supply chain

Pressures are being seen from the supply chain to the shop floor, meaning retailers need to make changes and investments to strengthen their business and ensure products are accessible. With new challenges hitting the industry, bricks and mortar retailers must also work to counteract the fallout on customers and workforces alike.

Handling industry-wide impacts

In a previous report, Cost of living: Supporting your retail workforce as the crisis deepens[2] that we released in April 2022, we saw how cost of living pressures were already colliding with Covid challenges and impacting retail leaders. In fact, 99% of retail leaders said they were worried about talent shortages in their businesses.

In our latest data, we're seeing a further evolution of these pressures among retail leaders as different issues come to the forefront. When asked about their biggest worries for the rest of 2022, retail leaders now say their top concerns are:

39%

Supply Chain Challenges

Leading to a lack of product/ability to get product quickly

38%

Price Increases

The impact of having to increase prices

32%

Covid Lockdown

Potential lockdowns due to Covid cases

Encouragingly, in the face of those challenges, **almost two thirds (63%) of retail leaders expect to hire more staff in the remainder of 2022**. A further 21% also indicated that employee turnover was one of their smallest business worries - surprising given retail consistently experiences higher turnover rates compared with other industries. This data signals that whilst the rate of exiting employees might be steady, employers appear confident there is a pool of talent to hire from. This difference suggests hiring issues are lessening, however retail leaders mustn't get complacent about keeping staff engaged and happy at work. If ignored, this could lead to burnout, even higher industry turnover rates, morale problems, and a cycle of continuous recruiting and training.

In fact, our data suggests retail employees have their own concerns. For instance, with Covid cases rising again during the summer, the impacts retail staff are most concerned about are understaffing due to others missing shifts (44%), job losses and redundancies (42%), and fewer customers due to consumer confidence dips (33%). In addition, nearly half (42%) of retail employees say that they feel overworked and underappreciated at work due to staff shortages.

Covid impacts retail staff are most concerned about



44%

Missing Shifts

42%

Job Losses and Redundancies

33%

Consumer Confidence Dips

The data indicates employees are concerned about their work pressures and possibly losing their job entirely, and with a recession looming in the UK, concerns about job stability will only increase. To appease this, it's essential that retail leaders are communicating clearly with staff about business plans where possible and rewarding their employees for good work to keep motivation high. Likewise, employers could also consider options to improve employees' cash flow options, for instance by integrating earned-wage access schemes.



Fourth Solution Spotlight: Offering fairer, more flexible financial tools to improve retention

We partner with Wagestream to make it easier for our clients to introduce financial wellbeing support quickly and effectively.

Wagestream is the only financial wellbeing platform founded with charities, designed for frontline staff and built around their pay. Offered to over two million people through caring employers around the world, it enables employees to choose their own pay cycle and access their earnings in real-time, manage their budgeting, save for a rainy day, chat to a personal money coach and get fairer deals on financial products – all in one app, with no change to payroll processes.

The Problem: Increased Financial Worry is Affecting Retention

Research[3] from Wagestream says that 70% of UK employees are worrying about money - with over one quarter worrying every single day. Nearly half of employees stressed about finances are distracted on the job and twice as likely to miss work. Increased absences are linked to lower employee engagement and will ultimately result in the loss of great talent.

Evidence continues to mount not only that savings are fundamental to financial wellbeing, but that being forced to use savings to make ends meet is correlated with worsening life quality. In fact, employees who have been forced to dip into their savings during the current cost of living crisis report a 10% increase in anxiety.

The Solution: Supporting, Empowering, and Incentivising

The Fourth Wagestream app helps people keep track of their incomings and outgoings whilst empowering and incentivising them to become better savers. It also provides access to expert, impartial coaching so people can reach their savings goals faster, learn how to apply for state benefits or reduce bills to help improve their long-term financial wellbeing.

The Outcome: Enhanced Financial Wellbeing Now and in the Future

The Fourth Wagestream app delivers up to 86% reduction in financial stress, leading to happier and more productive employees and 16% less turnover - so you keep your talent for longer.



Fourth Solution Spotlight: Fourth Engage

Fourth Engage is a powerful communications app that makes it easier to connect with employees. Features include a news feed and a channel for urgent notifications and announcements, so staff can easily stay up to date while the employer can have a view into who has seen what. You can also use the Groups function to communicate with specific groups of people or send direct messages, like with WhatsApp. Employees can even set up their own groups to communicate with colleagues on non-work related subjects too, like team socials. This helps them build stronger relationships, which in turn makes employees feel part of the business.

What's more, Engage is a fully integrated part of Fourth's Workforce Management solution[4], which means access to the app is automated. Often when companies use a third-party communications tool, the challenge is to get employees to log on in the first place. With Fourth, employees regularly log in with ESS (Employee Self-Service) to access payslips, check rota scheduling, swap shifts and more, therefore Engage communications are the first thing an employee will see when they are accessing this essential information. With Fourth Engage, employees have easy access to key documents like policies or a company handbook. And if an employee leaves the business, their access is limited to essential documents, such as P45 and P60, so you can be confident that private or sensitive information isn't sent to leavers.

How businesses are meeting consumer demand

What do consumers find shop floor staff most helpful for?	
Finding stock	**49%**
Answering my questions	**36%**
Taking payments	**25%**

While addressing employees' worries is critical to retail leaders' success, it's also important they can meet the needs of their consumers - something that has been increasingly difficult with supply chain issues due to the war in Ukraine, staff shortages, Brexit, and more. However, with less than half (48%) of shoppers feeling there is the right amount of shop floor staff available, there may be a greater appetite for customer service - not just goods - that retailers will need to navigate. Likewise, as inflation costs bite, a great customer shopping experience is what will differentiate retailers, and those that can optimise for this will most likely come out on top in a competitive environment.



Fourth Solution Spotlight: Demand Forecasting and Labour Productivity

Retailers need an accurate view of demand needs to ensure the right number of staff available to deliver customers with the level of service they expect, whilst managing the cost of staffing at a time of unpredictable consumer demand. Overstaffing incurs additional costs, while under-staffing impacts the customer experience.

Fourth's advanced forecasting algorithm takes data such as same day last year, historical data, recent trends, weather forecast, and notable public and national events, to create an accurate demand forecast down to 15-minute segments. Managers can overlay their knowledge to create a highly accurate shape of the day, showing how many employees are needed at different times – including to complete non-revenue generating activities like accepting deliveries, stock replenishment, merchandising or cleaning. By accurately predicting which staff you need, where and when, you can avoid shifts where the business is understaffed and employees are run ragged. It also means you don't suffer from the opposite problem of idle staff who are either over-attentive or bored. Getting the balance right not only improves both customer service and sales, but also means employees are less likely to have a bad shift, helping build engagement.

The data also suggests that amid the ongoing cost of living crisis, consumers are understandably being more cautious with their spending expectations for the rest of the year. For instance, consumers expect to spend less on holidays (28%), clothes and shoes (26%), and luxury (25%), and almost one in five (18%) expect to spend less on groceries. However, spending drops will be less pronounced in verticals such as sport and leisure (7%) and automotive (9%). It's important that retail leaders are maximising their efficiency and effectiveness with both staff scheduling and stock to avoid steep price hikes and manage budgets. Accurate forecasting to meet variable demand will be key to managing costs.

Consumers Expect to Spend Less on

28%	26%	25%	18%
Holidays	Clothes and Shoes	Luxury	Groceries

Staffing aside, when it comes to consumer demands, the data also suggests more investment in particular technologies will help improve consumers' shopping experience and retail employees' ability to work effectively.

Betting on the future high street: Prioritising the right tech for your business

Technology isn't new to the high street and consumers have come to expect it, such as self-checkouts in supermarkets. However, some technologies are more useful to consumers than others and retail leaders need to prioritise those that will most improve the shopping experience, while also balancing useful technology for their workforce.

The growing tech trends hitting the high street

Whilst high street footfall hasn't returned to pre-pandemic levels yet, the number is gradually increasing, and when it comes to the technology that shoppers feel most improves their experience, click and collect comes out on top - suggesting consumers favour a blended retail experience that combines the ease of online shopping with the convenience of collecting their goods in-store.



These findings were broadly similar across the two retail segments surveyed: clothing and beauty, and grocery, with both interested in technology that drives a faster and more seamless shopping experience through click and collect or shop floor automation. Interestingly, consumers also expressed a growing interest in metaverse and virtual reality (VR) technologies for clothing and beauty shopping, which can help shoppers 'try before they buy' without applying a product or using a fitting room - something a number of cosmetic retailers are now implementing to help people see how a shade of lipstick, for instance, might look on them using a smartphone filter.

When thinking about the future of retail and post-pandemic recovery, which, if any, technologies do you think would most improve the retail experience?

Clothing & Beauty Experience



19%

Click and collect



14%

Shopping in the metaverse and other VR experiences



13%

Shop floor automation (e.g. self-service checkouts)

Grocery Experience



18%

Click and collect



16%

Shop floor automation (e.g. self-service checkouts)



15%

RFID scanners in shelving to detect taken products and determine bill at checkout (I.e. Amazon Go)

Interestingly, following the 'online-only' pandemic, customers ranked an eCommerce presence (clothing and beauty: 9%, grocery: 7%) as the technology that would be least likely to improve their retail experience, which could further suggest a preference for a blended retail experience.

Leaders versus employees: bridging the technology gap

When compared to consumers, it's positive to see retail leaders and employees alike are aware of consumers' demand for click and collect, ranking first and second for leaders and employees respectively.

Top three...

... most important factors to business success for retail leaders

1



30%

Click and Collect

2



28%

eCommerce Presence

3



27%

Store management technologies *(including scheduling and productivity)*

... factors most likely to improve retail employees job day-to-day

1



36%

Shop-floor Automation

2



35%

Click and Collect

3



30%

Warehouse automation and dark retail *(a retail outlet or distribution centre that exists exclusively for fulfilment, with no consumer-facing elements)*

Fortunately, retail employees do overwhelmingly feel supported by their employer, with only 8% overall disagreeing. When it comes to the factors that make them feel most supported, employees' top three were:



42%

Payroll and Associated Benefits



38%

Overall Communication Levels



37%

Mental Health Support

Payroll and communication in retail are both areas that have previously been manual and often convoluted processes. This data signals that the modernisation of these areas, through workforce management technology and other platforms that streamline them, is having the intended positive effect with retail workforces.

Notably though, only 20% of retail employees feel supported with digital and responsive scheduling/rotas, and we know from our previous report2 that inconsistent shift patterns and poor communication lead directly towards more financial stress for employees, and that 68% of retail employees say they'd benefit from being able to flag availability in advance via a HR/ scheduling portal. It's positive to see retail leaders consider store management technologies, including scheduling, as a priority, and choosing technology that can help improve this process will benefit all levels of the business.



20%

Of retail employees feel supported with digital and responsive scheduling/rotas

Finding the balance between automation and customer experience

Merging trends from the consumer perspective as well as from the position of the retail worker will pose the next challenge for business leaders. A great customer experience won't be possible without an engaged, supported, and efficient workforce, so it's important leaders can keep employee needs front of mind alongside business success, and invest in the technologies that will enable more optimised shift scheduling, forecasting, and employee engagement.

To thrive in a fiercely competitive industry, ridden with labour shortage issues, and affected by unpredictable consumer shopping habits, retailers must focus on efficiently deploying labour to cater to the modern shoppers' preferences, while controlling costs to guarantee ongoing profitability. To achieve this, it's crucial that store managers are equipped with modern and easy-to-use tools that make daily operations smooth and enhance the efforts of providing a competitive and attractive shopping experience.



Fourth's Workforce Management solution in a snapshot

Key Features & How They Help You

Challenge: Forecasting Labour amid Unpredictable Levels of Customer Demand

Our Solution: Fourth's Next-Gen Forecasting uses machine learning AI-driven algorithms to inform when and where a store should increase or decrease staffing levels, to avoid costly instances of over and under-staffing.

Challenge: Eliminating instances of under- and overstaffing

Our Solution: Fourth's automated labour standards, customised to each retailer's operations, outline the time needed for staff members to perform tasks and automatically calculate the number of optimal hours required, pulling data from demand generating systems that measure actual demand in near real-time.

Challenge: Offering reliable, part-time shift patterns

Our Solution: Fourth's online scheduling tool allows store managers to build weekly schedules efficiently, with an intuitive dashboard that shows the forecasted labour hours for each day of the week and the staff available to meet the demand, as well as the wage cost for each individual staff member, giving instant visibility and control of labour spend. The modern online scheduling tool integrates seamlessly with Fourth's eClock or other third-party Time & Attendance solutions. This allows store managers to track labour coverage for time-sensitive operations and make scheduling adjustments in real-time, ensuring activities are consistently performed at a high standard throughout the day. Fourth's My Schedule mobile app allows store managers to publish schedules immediately and edit them in real-time, while staff can easily apply for open shifts or swap them with colleagues for an improved work-life balance, while ensuring high productivity and retention.

Challenge: Tracking time and attendance

Our Solution: Fourth's eClock provides retailers with a fully integrated digital time and attendance solution that removes the costs, onsite installation and maintenance of physical time and attendance clock solutions. It is easily downloadable onto any Apple or Android tablet allowing staff to clock in by entering a short pin and snapping a photo of themselves on their arrival, or record breaks throughout the day and clock out when their shift ends.

Challenge: Increasing Labour Efficiency Through Labour Pooling

Our Solution: Retailers with multiple stores, clustered within a location of easy reach and reasonable travel time, can extend the labour coverage by offering staff shifts across different stores, giving managers greater flexibility. Labour pooling is supported by Fourth's scheduling tool and the My Schedule mobile app, and its 'Multiple Employment' feature allowing a store manager to publish open shifts to available staff from other stores.

Challenge: Optimising Labour planning and budgeting

Our Solution: Within the scheduling tool store managers have easy access to weekly reports that detail key labour performance indicators, such as actual and forecasted hours across each day, sales total for each day, performance percentage against the annual fixed labour budget and wage cost calculations for all staff employed throughout the week. This allows store managers to keep track of labour performance and identify opportunities for improvement.



Conclusion

While the end of 2022 and early-2023 will continue to present challenges for retailers due to the pending recession, supply chain issues, and ongoing pandemic-related uncertainty, it's encouraging that retail leaders feel they have the staff in place to manage this throughout the 2022 festive season. However, our data also suggests employers must keep focused on their employees' needs too - not just profit-based business decisions that will help their balance sheet.

Reflecting on they key takeaways from our data, we see that:

Supply chain issues are retail leaders' top concern for the rest of the year, and this should be met with a focus on customer experience

Less than half (48%) of customers feel there is the right amount of shop floor staff available, suggesting there is an appetite for customer service - not just goods. Accurate forecasting and effective labour planning will be essential for improving shopper and retail employee experience alike

Staff turnover is still prevalent in the sector, but is now less of a concern for retail leaders, and most feel confident hiring more staff this year



Although retail leaders are confident in their business, they mustn't neglect employee satisfaction and engagement, as retail employees are concerned about understaffing (44%), job losses and redundancies (42%), and a further 42% feel overworked and underappreciated

Shoppers and retail staff also want to see more click and collect technology, and shop floor automation to improve the shopping experience and employees' day-to-day work

While retail employees feel supported overall, there is room for improvement with shift scheduling, suggesting retail leaders should increase their focus on store management technologies to improve this

It's clear retail leaders can take further advantage of technology to help streamline and optimise shift scheduling, labour forecasting, and workforce management to in-turn improve the overall shopping experience. This enhanced consumer experience is only achievable with an engaged, supported, and efficient workforce, so employee needs must be top priority to achieve business success. Retailers will also need to balance this with being flexible and responsive to fluctuating consumer demand in the coming months in order to keep hold of their best people and navigate difficult market conditions.

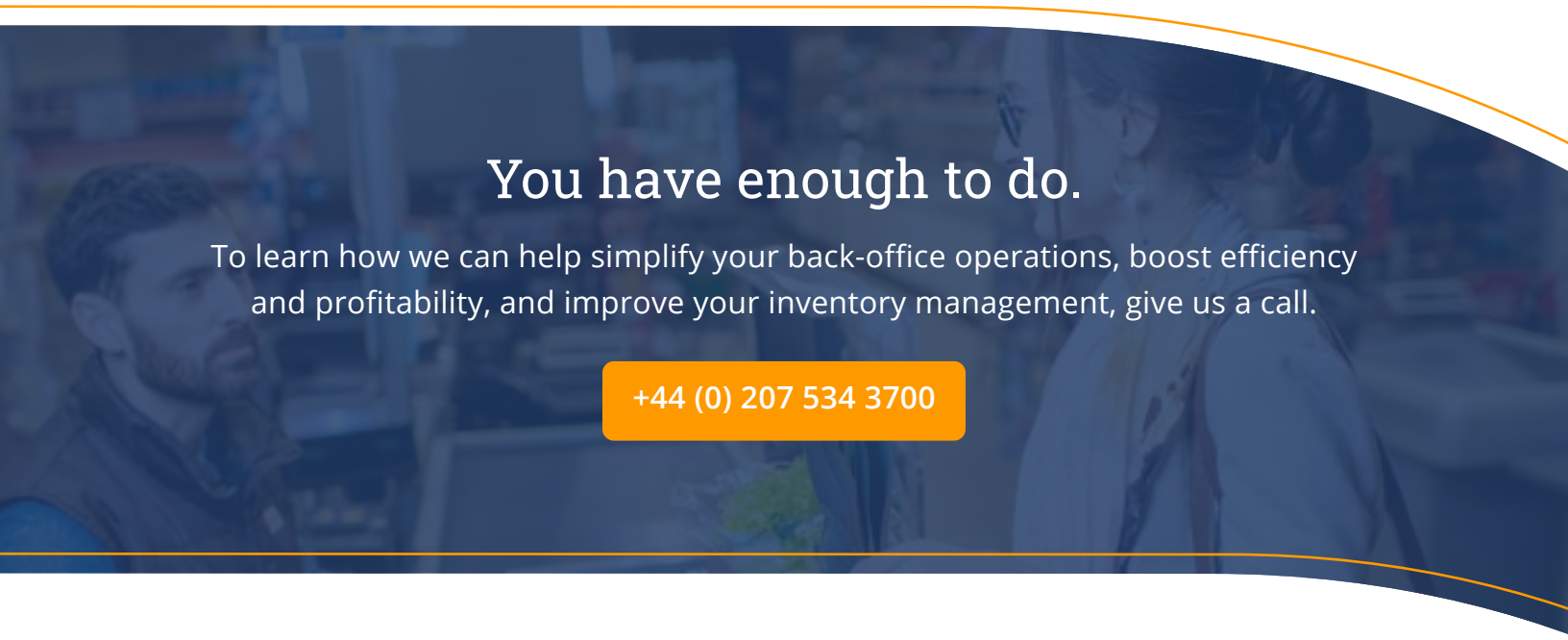
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2. Cost of living: Supporting your retail workforce as the crisis deepens - Fourth Whitepaper
3. The State of Financial Wellbeing: The Cost of Living Report 2022, created by financial wellbeing platform Wagestream with comments from the government's Money and Pensions Service and the Work Foundation
4. A guide to Fourth's Workforce Management Solution for Retailers

About Fourth

Fourth is the leading digital workforce management, payroll and HR solution for the global retail, restaurant and hospitality industries. Fourth's various solutions give businesses oversight of how they can control costs, scale profitability, improve employee engagement and maintain compliance through its leading data and analytics suite. It serves more than 7,000 customers across 120,000 sites globally.

Our cloud-based, proprietary technology platform and fully mobile applications power the world's leading brands, including Holland & Barrett, Robert Dyas, Ryman, Boux Avenue, Selfridges, Tesco Family Dining, Gail's Bakery, Corinthia Hotels, The Dorchester, The Ivy, The Ritz, Soho House, Burger King, Pizza Express, The Wentworth Club and Sodexo.



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