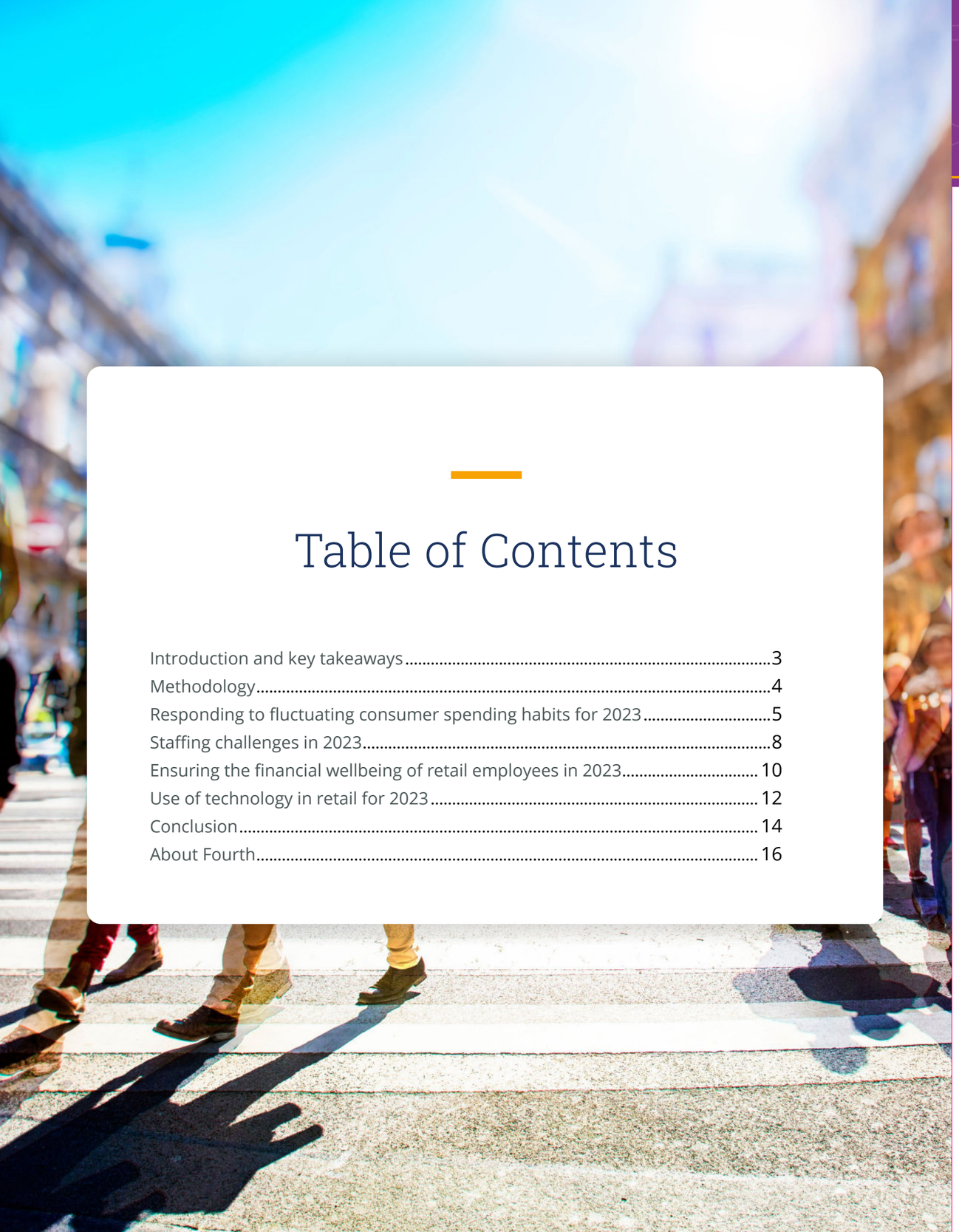


A View From The Experts: The Shape Of Retail 2023

From financial wellbeing to staffing challenges, Fourth explores how retail technology is supporting the industry in 2023

Fourth



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Introduction

The cost of living downturn continues to hit headlines and impact the high street. While many retailers hoped for a growth period post-pandemic, soaring inflation has reduced most consumer spending[1], whilst the day-to-day cost of running a bricks and mortar store has skyrocketed.

As we near the end of 2022, footfall had dropped by 0.2%[2] in the first week of Q4 - which is usually the start of retail's busiest and most important time of year, where brands used to surpass revenue targets as festive shoppers hit the high street. While spending data seems encouraging with sales rising 2.2%[3] in September, this actually indicates a decline in sales volumes as inflation climbed to almost 10%. So, with retailers questioning whether the end of 2022 really will be the most wonderful time of year, it comes as no surprise that retail's challenges and opportunities are shaping up for 2023.

In our latest research, Fourth has delved into the current shape of the retail industry, exploring the part technology will play in navigating the challenges and opportunities of the next year. The findings show the supply chain remains one of the biggest worries for retailers in 2023 and, while talent shortages are not as profound as this year, finding and retaining the right talent still remains a key hurdle to navigate. Especially as retail workers are feeling even more overworked and underappreciated.

With consumers planning to spend even less next year across a variety of items, retailers will need to work harder to offer a superior customer experience - which can only be realised with an engaged, supported, and efficient workforce.

We will also see some new trends come to the fore with QR codes likely to become a larger part of the shopping experience in 2023. Technology is also important for employees, with HR and workforce management technology - from earned wage access to digital scheduling - called for throughout the workforce.

In this report we'll delve into four key focus areas:

- How retailers plan to respond to fluctuating consumer spending habits in the face of the cost of living crisis
- How retail's long-persisting talent shortages will evolve in 2023
- How to ensure the financial wellbeing of your retail employees
- How to utilise retail technology for a more engaged workforce

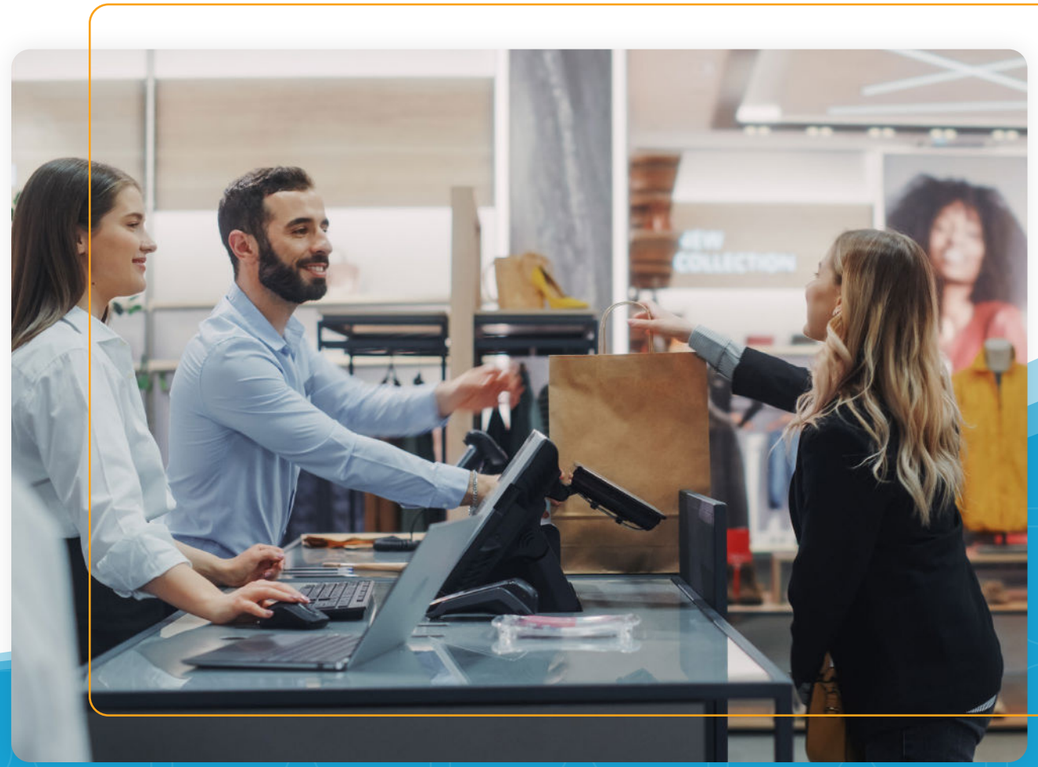


[1] Fourth, Navigating the retail industry today: Staff shortages, recession fears, cost of living crisis, and the modern shop floor (September 2022)
[2] The Guardian, UK retailers hit by drop in footfall as energy bills rise (October 2022)
[3] British Retail Consortium, Sales volumes continue to fall (October 2022)

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 September 2022.



Responding to fluctuating consumer spending habits for 2023

As we entered Q4, retailers were generally optimistic about their financial year so far. Almost seven in 10 retail leaders (68%) were making a profit in line with pre-pandemic earnings. This trend was even more promising in the grocery sector, with 69% of retail leaders making more profit than before the pandemic. While most grocery items are a necessity, Fourth's previous report[4], which surveyed shoppers in July 2022, indicated that many consumers planned to slash their weekly food shop budget as the cost of living crisis hit home.

The golden quarter is now in full swing, but almost half (49%) of consumers are planning to spend less during the 2022 festive season. This has shot up drastically from 2021, when only 19% planned to spend a little or much less than usual across the shopping events leading up to Christmas. This trend will likely have a huge impact on how retailers end the year.

49%

19%

Consumers' 2022 seasonal shopping experience will be most impacted by:

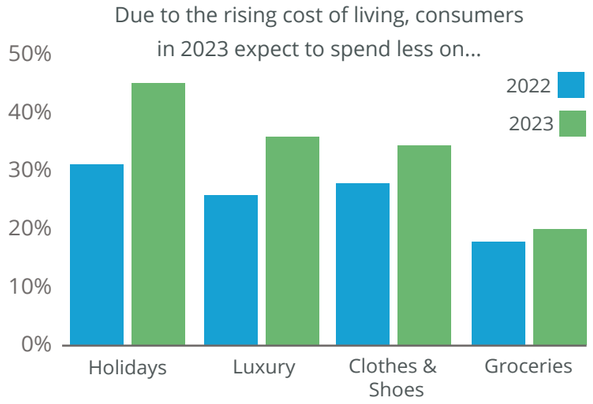
50%

The cost of living crisis lowering budgets

22%

Using the benefits of both online and in-store retail, I.e. Click and Collect

[4] Fourth, Navigating the retail industry today: Staff shortages, recession fears, cost of living crisis, and the modern shop floor (September 2022)



What does this mean for retailers' plans next year?

Unsurprisingly, these lowered spending expectations are set to continue. When compared to our 2022 data, it is clear the same retail categories will be most impacted in 2023. However, the amount of consumers planning to spend less has risen and changed order.

"With the cost of living crisis expected to continue into 2023, retailers must consider how to attract consumers to stores over their competition. As the fight for consumers' pennies hots up, we will see retailers prioritise the shopping experience. Which means building a well-supported, motivated, engaged, and efficient workforce."



Sebastien Sepierre

Managing Director – EMEA

Fourth

Retailers with multiple stores, within a location of easy reach and reasonable travel time, can increase labour efficiency through labour pooling by offering staff shifts across different stores, giving managers greater flexibility. This 'Multiple Employment' feature is supported by Fourth's scheduling tool and the My Schedule app, allowing store managers to publish open shifts to available staff from other stores.

However, the data shows there are many challenges for retailers to navigate. Retail leaders are expecting to still struggle with the supply chain and increasing goods prices, but will now have to deal with the cost of running a store spiking.

Retail leaders' biggest business worries for 2023 are:

61%

Supply chain challenges

Non-mover from 2022

31%

The impact of having to increase prices

Non-mover from 2022

28%

Cost of running a store (energy crisis, etc.)

New for 2023

Running a bricks and mortar store remains important for retailers as consumers still value the in-store shopping experience. In fact, next year shoppers will be motivated to hit the highstreet rather than purchasing online for a number of reasons:

34%

Being able to see and try things before I purchase them

24%

In-store deals that I can't access online

23%

No wait time for delivery

"The findings are clear, 2023 will see retailers continue to battle with cost of living-related issues and even some issues persisting from the pandemic. There are also new challenges when it comes to the in-store experience, to ensure they're not missing out on attracting consumers, the shopping experience offered must be superior. To build and maintain this, retailers must prioritise their workforce to ensure the expected service levels are maintained as they navigate spending drops and keep the business running efficiently."

Sebastien Sepierre, Managing Director, EMEA at Fourth

Staffing challenges in 2023

The retail industry is faced with more staffing challenges, with no signs of this easing in 2023. While talent shortages are not anticipated to be as profound next year as they have been, attracting and retaining the best employees remains a hurdle for retailers to navigate in the battle for talent.

Staff shortages for the festive season

With the busiest shopping periods of the year (from Black Friday to Christmas) fast approaching, retailers are growing increasingly nervous about the impact of staff shortages on their business.

89%

Our latest data shows, 89% of retail leaders are worried about how talent shortages will affect their company over the festive season. Bosses in the grocery sector voiced particular concern about staffing issues, with almost all (95%) worried about filling roles to cope with the increased demand.

95%

The soaring cost of living and rising inflation have left many supermarket leaders with little to no choice but to cut head office roles and pay to make way for temporary hires[5]. In doing so, grocers hope to plug vital staffing gaps that are required to meet the expected customer demand over the Christmas trading period.

Amidst talent shortages, supermarket bosses are also navigating pay battles with shop floor workers, who now demand better remuneration having recognised their value during the pandemic and are actively seeking wage increases to help with the rising cost of living[6].

"In what has become a largely candidate-driven jobs market, retailers must ensure that they have the right tools and systems in place to hire the best people quickly and easily - or risk losing out on vital talent to competitors. Accurately forecasting customer demand in near real-time will be essential to managing staffing levels during busy times, as well as labour costs – removing any guesswork in the process."

Rebecca White, Director of Workforce Management Solution Consulting at Fourth

Using machine learning AI-driven algorithms, Fourth's Forecasting system detects trends and patterns in customer demand to predict levels of future customer demand down to 15 minutes for an individual store, automatically calculating the number of optimal hours required to perform tasks.

[5] Mirror, Tesco to axe 325 jobs - but wants to hire 12,500 workers for Christmas (October 2022)

[6] Reuters, Factbox: European companies offer one-off bonuses, hike pay amid cost-of-living crisis (October 2022)

Labour shortage concerns for the year ahead

Retailers are fearing staff shortages heading into the new year too, with over three quarters (78%) worried about a talent deficit in their company. Of those concerned, operations bosses are the most anxious (94%), with HR leaders the least worried (65%). This figure rises to 83% in the grocery sector.

Retailers looking to deliver a smooth customer experience must ensure they balance staffing levels and labour costs against the uncertainty of customer demand. Failure to do so could lead to a frustrated workforce who, as a result of staff shortages, would be forced to take on additional roles and responsibilities.

78% Of retail leaders are worried about talent shortages in their business

94% Operations bosses

65% HR leaders

83% Grocery sector

The knock-on effects of understaffing

We asked retail employees what main consequences staff shortages will have on their shifts in the year ahead:

53% stated that feeling overworked and underappreciated will impact them the most

**An increase from Q3 2022, where 42% of retail employees stated that feeling overworked and underappreciated would impact them the most*

47% said not having enough people on the shop floor to help customers will affect their work the most

43% stated having to do more than their job description will be the main consequence of staff shortages

The knock-on effect of a frustrated workforce is disastrous. It can lead to a higher turnover of staff, which means an increase in recruitment costs, and not forgetting dissatisfaction amongst customers, who notice the cracks caused by staff shortages. Ultimately, this will have a damaging outcome on companies' profits.

"At a time when continued staff shortages are a real concern, retail leaders must look to digital tools that make staffing operations smooth and allow for a flexible and attractive working experience for employees, while at the same time meeting the business demand."

Rebecca White, Director of Workforce Management Solution Consulting at Fourth

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.

Ensuring the financial wellbeing of retail employees in 2023

As the cost of living crisis continues, it is imperative that retailers support their employees in every way they can. Financial wellbeing is a key part of ensuring employees feel supported - from financial literacy tools to flexible pay with earned wage access. By helping to alleviate some proportion of financial worries, retailers are capable of empowering their employees to take control of their finances. These actions result in a motivated and engaged workforce - especially important given the cost of living crisis is impacting businesses too.

Retailers to offer further financial support

Our latest data shows that retailers are seeking to increase financial support in the year ahead, with 31% of retail leaders planning to or already offering financial literacy support - compared to just 15% during the first half of the year.

In addition to financial literacy support, 28% of retailers also plan to or already offer flexible pay with earned wage access - just 11% of retail leaders had a platform set up to offer flexible pay with earned wage access in H1 2022.

In regards to wages, only 23% of retailers plan to increase employee salaries due to the rising cost of living and inflation factors. This figure is lower than this time last year when 29% of retail leaders planned to increase their employee's base salary in line with the rising cost of living and inflation.

When asked about pay intentions, retail leaders plan to:	2022	2023
Increase salaries regardless of the rising cost of living crisis	68%	31%
Increase salaries due to the rising cost of living and inflation factors	29%	23%
Plan to or already offer financial literacy support	15%	31%
Plan to or already offer flexible pay with earned wage access	11%	28%

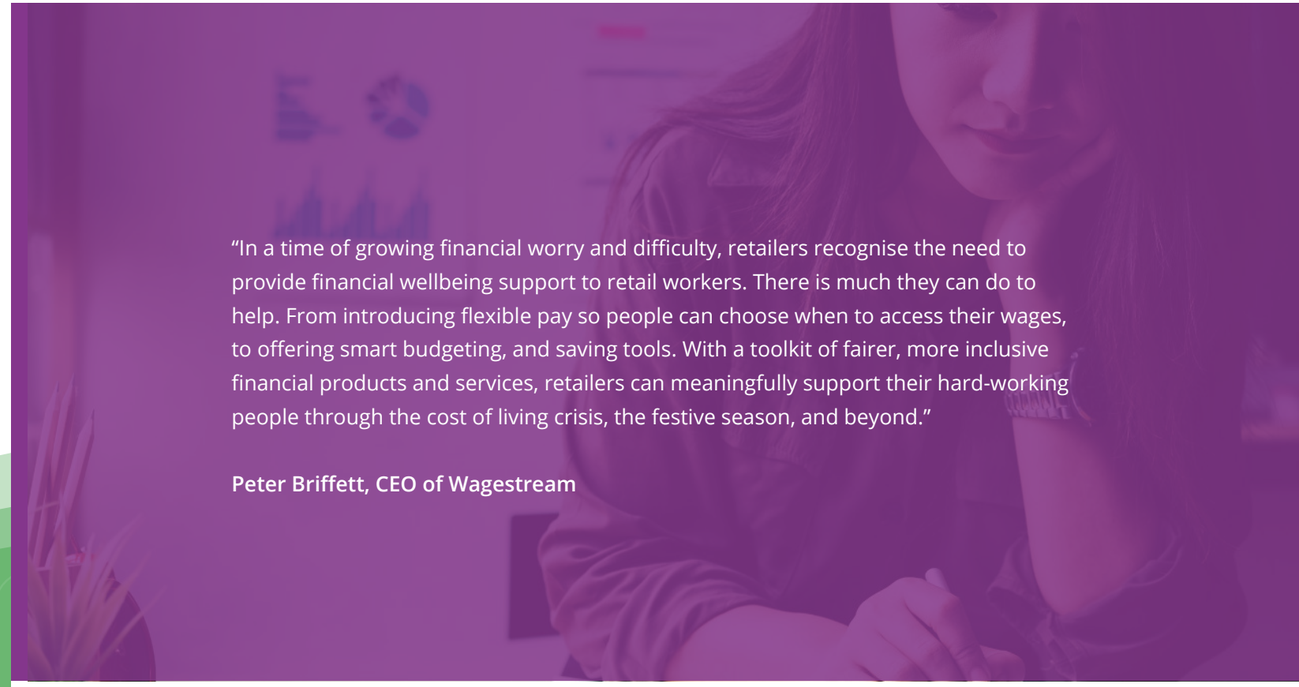
81%

61%

With the cost of living increasing, being able to access wages as they are earned, rather than waiting for payday, would help reduce financial stress in 2023 for four in five retail employees (81%). This rises to 90% for retail employees working in the clothing and beauty sector. These figures are up from 2022, where three in five retail employees (62%) believed flexible pay with earned wage access would be useful.

With the sheer number of employees showing interest in flexible pay with earned wage access, it is important that retailers meet this demand adequately. Only 15% of employees currently have access to this scheme, the same amount who had access at the start of the year - indicating no action from retailers.

In addition, retailers must seek to improve the financial literacy guidance that accompanies this technology, as 22% of retail employees would like greater support before using the financial tool.



"In a time of growing financial worry and difficulty, retailers recognise the need to provide financial wellbeing support to retail workers. There is much they can do to help. From introducing flexible pay so people can choose when to access their wages, to offering smart budgeting, and saving tools. With a toolkit of fairer, more inclusive financial products and services, retailers can meaningfully support their hard-working people through the cost of living crisis, the festive season, and beyond."

Peter Briffett, CEO of Wagestream

Fourth offers a financial wellbeing solution in partnership with Wagestream. Wagestream's software is easily integrated into an employer's payroll system without changing their existing processes. Its app gives employees access to a toolkit of fairer, more inclusive financial products and services - from flexible pay to budgeting, vouchers, savings, financial coaching and more.

Use of technology in retail for 2023

Our latest data once again underscores the growing place for technology in the retail industry - whether in-store or online, benefiting both shoppers and employees.

When we assessed the state of the industry a year ago[7], we found an impressive 40% of retail leaders thought the most important technology for their business would be HR tech and workforce management solutions. Now, one year on, how has the economic impact of the cost of living crisis affected the technology priorities of retail businesses, their employees and their customers?

Technology: Nice to have or necessity?

In short, HR technologies and workforce management solutions are still vital to business success.

Retail employees believe better point of sale (POS) automation technology (34%), such as self-service checkouts and mobile POS, are most likely to make their day-to-day work easier in 2023. They are also overwhelmingly keen to see more HR tech and workforce management solutions:



34%

Ability to see payslips online and in real-time with flexible pay with earned wage access



29%

Access to apps that allow real-time communication with employers



26%

Access to digital scheduling



Fourth Engage allows managers to share urgent notifications and announcements in the news feed, while employees can stay up to date and access key information such as their wage slips and on-demand pay.

[7] Fourth, Talent, convenience, and technology: The Retailer's guide for 2022 (November 2021)

The shopping technologies consumers want most from retailers in 2023 are:



Meanwhile, technology's presence on the shopfloor continues to be a positive attribute for consumers. With loyalty offers via apps becoming the favoured tech, online shopping is beginning to drop in popularity.

For retail leaders to start 2023 on a positive note, it is imperative they take note of what their customers and employees want to see. The data shows, however, that the technologies retailers see as the most important to business success in 2023 are:



QR Code adoption

I.e. endless aisle, interactive window displays, etc.



eCommerce presence



Warehouse automation

When compared to only last quarter, click and collect services have dropped out of the top three, as have store management technologies for scheduling and productivity optimisation. Overall, consumers are fairly well serviced by retailer leaders' priorities for the future of highstreet, with business priorities directly addressing the in-store and eCommerce experience. However, retail employees' sentiments must be addressed.

Currently the data shows a lack of synchronisation with HR tech and workforce management solutions missing from leaders' plans for 2023. Missing these key opportunities to evolve productivity will lead to decreased employee morale, so it is vital that retail bosses look to implement an all in one solution.

"With the added pressure of the economic uncertainty in 2023, technology is going to play a pivotal role, as it did during the pandemic, to help strengthen retail business and carry strong sales into the New Year. With retailers' budgets squeezed and employees experiencing financial uncertainty, retailers must look at where they invest. An increasingly tech-influenced customer and employee experience must be prioritised to stay relevant, enhance the customer journey, and safeguard employees financially."

Christian Berthelsen, Group CTO at Fourth

Conclusion

Undoubtedly, 2023 will present retailers with unknown challenges as a turbulent economic climate hits shoppers and businesses in different ways.

For retailers who are concerned about performance dipping in the golden quarter, retail strategies must be all encompassing and empower employees who will realise this vision during unprecedented times.

Our latest research has offered us a comprehensive view of current sentiment across the retail industry for 2023. Reflecting on the key takeaways, we see that:

Running a bricks and mortar store remains important, as consumers still value the in-store shopping experience and are motivated to hit the highstreet rather than purchasing online

By helping to alleviate some proportion of financial worries, retail leaders can empower their employees to take control of their finances

While talent shortages are not anticipated to be as profound next year as they have been recently, attracting and retaining the best employees remains a hurdle for retailers to navigate in the battle for talent

While salary increases are not always possible, retailers are exploring comprehensive support across a number of financial areas to offset a lack of wage rises

As retail workers continue to feel overworked and underappreciated, retailers cannot afford the knock-on effect of a frustrated workforce, from increased recruitment costs to dissatisfaction amongst customers

HR technologies and workforce management solutions are still vital to business success, while technology's presence on the shopfloor continues to be a positive attribute for consumers. However, there is a disconnect with which technologies retail leaders are prioritising for 2023

Overall, 2023 will present challenges, but there are some clear opportunities for retailers looking to navigate the year ahead. Whether it is supporting the workforce, to improving the customer experience, retailers must prioritise action now if they are to truly reap the benefits into the next year.



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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