



Retail In The Face Of An Entirely New Workforce Model

Benchmark Report

Brian Kilcourse and Steve Rowen, Managing Partners

May 2023

Sponsored by:



Presented in partnership with:



Executive Summary

Anyone who has shopped lately – particularly in stores – knows that retailers are feeling the pain of a labor shortage and record-low unemployment rates. As a result, this report set out to 1) identify the challenges all retailers are facing and find lessons that can be learned from the best performers, 2) examine the impact of new customer expectations on *what* and *how* work needs to be performed, 3) explore a whole new generation of technology-driven capabilities, and 4) know what internal challenges retailers are facing and which technologies they think will best help them move forward. It's a lot to tackle. The results are quite compelling. Key findings include:

- A litany of challenges piggyback on having fewer qualified people to solve problems: customer service has taken a significant hit, and retailers know it. New shopping behaviors require more complexity, not less, in stores, fulfillment centers – all kinds of places where retailers don't have enough help. And to only make matters worse, all the new omni-channel shopping behaviors that consumers have adopted in recent years create enormous pressure on brands to not only increase the productivity from the resources they do have, but also **decrease labor costs at the same time**. Retailers are in an impossibly difficult position right now.
- **As a result, the best performers (Retail Winners) are nearly three times as likely to be folding consumer-grade technologies into their stores to help give associates a fighting chance of being relevant.** Shoppers use their smartphones intuitively – *almost unconsciously* – to solve their lifestyle challenges. Arming store-based associates with those same tools that level the playing field, and don't require intensive training to understand is the absolute least a retailer can do to stay in the game. Winners know this, and it's why they are also twice as likely to consider themselves an employer of choice.
- Almost one-half of retailers agree that “*more top-level commitment to excellent customer service*” is key to moving forward. Over-performers want to be guided by customer satisfaction metrics, whereas average and under-performers just don't see that as a way forward. What the majority of non-winners want is strong leadership – and almost all of them *presume* that the result will be “*increased investments in customer-facing labor*”. That's an important difference: **Winners want to use business intelligence to prioritize next-steps; non-Winners want a strong leader to force the company spend its way out of the box it is in.** The Winners' approach promises the best, most targeted, action plan.
- When it comes to investment plans, a tech-enabled retail workforce is not a question of *if*, but *when*. Winners' investment so far has been pragmatic and starts with getting the schedule correct. Nearly 7 out of 10 of the best performers have invested here and consider this money well spent, compared to less than half of their average and underperforming peers. Winners consistently show an investment plan designed in the fundamentals: a) keep customers from abandoning ship b) help find and bring on new talent and c) optimize the schedules of the folks they are lucky enough to have on staff. That might just help keep workers happy, which in turn would make shoppers happy, and the whole cycle becomes virtuous.

Based on our data, we also offer several in-depth and pragmatic suggestions on how retailers should proceed. These recommendations can be found in the Bootstrap Recommendations portion of the report.

We certainly hope you enjoy it,

Brian Kilcourse and Steve Rowen

Table of Contents

Executive Summary	i
Research Overview	1
A Completely New Landscape	1
The Hits Keep Coming.....	2
Where Does All This Lead?	3
Retail Winners And Why They Win	5
Winners See Fewer Limits – With AND Without Associates.....	6
The Grocery Situation.....	7
Methodology	7
Survey Respondent Characteristics	8
Business Challenges.....	9
No Let Up On The Pressures Retailers Face.....	9
Is There A Big Generational Shift?	12
A Little Of Everything	13
Opportunities	15
Cognitive Dissonance	15
In Pursuit Of Equity.....	16
Meanwhile, In Stores	17
The Long Road Ahead.....	19
Organizational Inhibitors.....	20
So Much Change, So Little Time.....	20
Technology Enablers.....	22
The Future Looks Bright	22
Things Get Complicated On The Customer Side	24
Something We Can All Agree Upon	25
At This For Longer	26
A Final Note About Grocery.....	26
BOOTstrap Recommendations	28
The Needs Of The Workforce And Modernized Store Concepts Are Interrelated	28
Train - And Pay - For Performance	28
Automate The Store Wherever Possible	28
Employees Are Shoppers Too!.....	28
Younger Employees Have Great Expectations	28
Be Flexible	29
Encourage Greater Communication With Mobile Technology	29
Appendix A: The BOOT Methodology®	a
Appendix B: About Our Sponsor	b
Appendix C: About Our Partner	c
Appendix D: About RSR Research	d

Figures

Figure 1: The Effects Of Historically Low Unemployment	2
Figure 2: The Problems Compound	3
Figure 3: A Somewhat Sunny Disposition	4
Figure 4: Reality Check	5
Figure 5: The Future Of The Store?	6
Figure 6: Grocers Looking To Capitalize.....	7
Figure 7: Constrained Labor Pool	9
Figure 8: An Important Shift	10
Figure 9: Is It Time To Update The Self Service Experience?.....	11
Figure 10: The New Labor Pool – Younger, More Diverse	12
Figure 11: The Most Challenged – and Challenging.....	13
Figure 12: Have It Your Way	14
Figure 13: The Song Remains The Same.....	15
Figure 14: Winners Aim Higher	16
Figure 15: Winners Also Envision A Very Different Kind Of Store In The Future	18
Figure 16: Halfway To Everywhere	19
Figure 17: We’re Too Busy!.....	20
Figure 18: Customer Sat Metrics, Strong Leadership, Or Both	21
Figure 19: Employees Can And Will Be So Much More	22
Figure 20: Winners Betting Big.....	23
Figure 21: Help Shoppers/Avoid Shoppers.....	24
Figure 22: The High Value Of An Interconnected Team.....	25
Figure 23: Winners Much Further Along	26
Figure 24: For FMCG, Associate Communication Tools Hold Power	27

Research Overview

A Completely New Landscape

Today's retail labor market – and labor force – is very, very different than it was even just a short time ago.

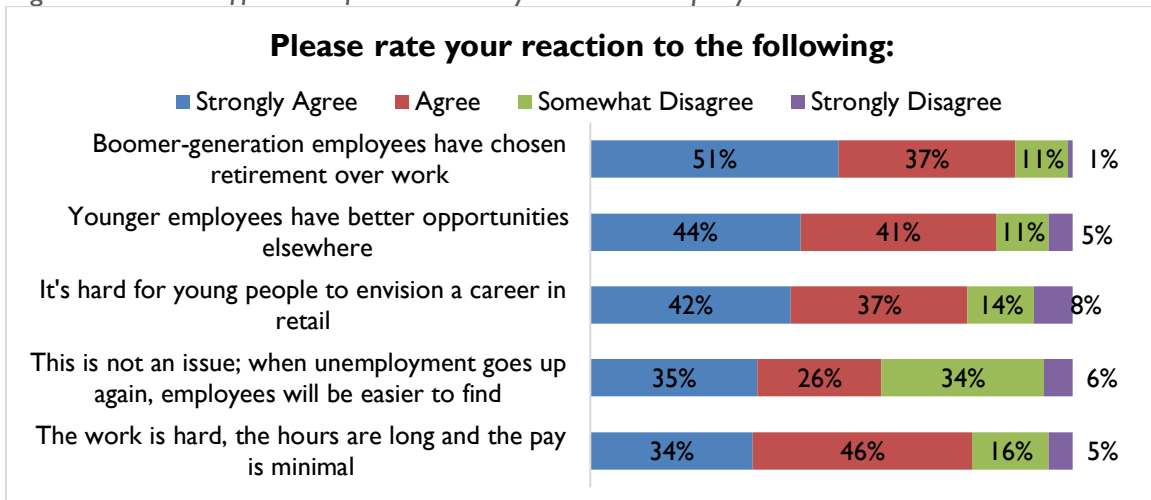
For years, retailers could openly boast of how their employees were their number one priority, only to underpay and undertrain these individuals, leading to a system of perpetually low wages and high turnover. For many retailers, the guaranteed influx of new candidates willing to take on these positions – even for a short time – secretly worked quite to their liking. Yet while the soft winds of slow change have been steadily blowing for some years (as routine readers of this annual benchmark know), the COVID-19 pandemic brought gale force strength to the situation. The pandemic changed everything. Suddenly, a lot of people retailers had so relied on – at various points along the age spectrum - didn't want to work in stores. A thankless job with long hours and crummy pay became scrutinized in myriad new ways - and from a multitude of sources.

A labor shortage quickly materialized, as has record-low unemployment rates, and as anyone who has shopped (particularly in stores) lately can attest, retailers are feeling the pain. Help wanted signs hang in most shop windows, and the labor force that is showing up for retail gigs has a far different perspective about what a “good” job is.

As a result of this new reality, this report sets out to do several things. Firstly, to identify the challenges all retailers are facing and find out if there are lessons that can be learned from the best performers' varied approaches. We also want to continue the work of last year's report, where we highlighted the impact of new customer expectations on what and how work needs to be performed, particularly in the store. We also want to examine the intersection between employee and customer expectations, where there is a new generation of technology-driven capabilities. Employee enablement to meet those expectations is still in its early stages, but retailers **know they need to address the challenges while still holding down labor costs**. And of course, we also want to know what internal challenges retailers are facing, how they plan to get over those hurdles, and which technologies they think stand the best chance of helping them achieve their goals. It's a lot to tackle, but like all great lessons, it's best to start at the beginning.

So, this year, we start with the elephant in the room: is a job in retail still a “good” job to have, and if so, who's willing to work it? Figure 1 shows the collective reactions of the 101 retailers who we queried for this research.

Figure 1: The Effects Of Historically Low Unemployment



Source: RSR Research, May 2023

According to the latest United States Census, the second largest talent pool that retailers can currently draw upon is the Baby Boomer Generation – individuals who were born between 1946 and 1964. Up until 2020, this was the largest percentage of folks alive, and for many, a job in retail was an attractive way to continue to work as they aged, even if only part-time. It was a symbiotic relationship: retailers didn't have to pay these folks too much, and their expertise was oftentimes a tremendous resource to both co-workers and shoppers alike.

Unfortunately, as Figure 1 shows, two major things happened in 2020. The first is that the pandemic served as a tipping point, and many of the people born between WW2 and the Kennedy assassination elected to retire once and for all. Nearly 90% of retailers in our survey react to this notion, and 51% of them strongly. A vital resource is disappearing quickly.

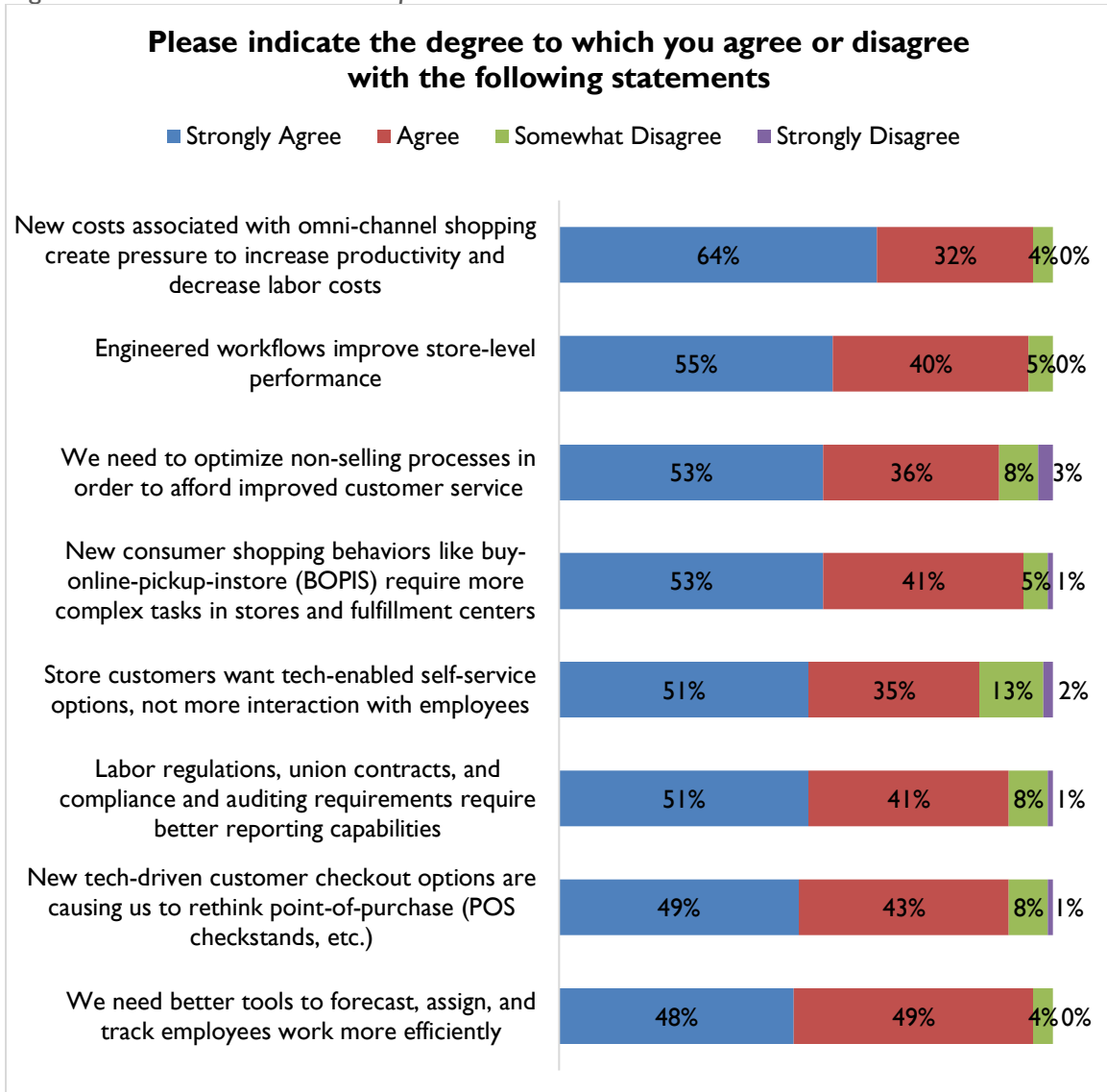
The other thing that happened in 2020 is that the Millennial Generation (born between 1981 and 1996), surpassed Baby Boomers in population distribution. Why would this be bad for retailers? As Figure 1 also shows, the reasons are numerous, but their effect can be distilled down to a singular notion: *members of this generation simply have their sights set elsewhere*. 85% of retailers say younger employees feel they have better opportunities elsewhere, and 79% say it's difficult for young people to envision a career in retail.

In an age of online influence, social media “creators”, and crypto billionaires, it's becoming increasingly difficult to find young people willing to fold sweaters for minimum wage.

The Hits Keep Coming

For retailers, however, the issue isn't just a shrinking and less-reliable talent pool. Figure 2 shows a litany of challenges that piggyback on having fewer qualified people to solve problems: customer service has taken a significant hit – and retailers know it. New shopping behaviors (yet another lasting result of the pandemic) require more complexity, not less, in stores, fulfillment centers – indeed, all kinds of places where retailers don't have enough help. And to only make matters worse, all the new omni-channel shopping behaviors that consumers have adopted in recent years create enormous pressure on brands to not only increase the productivity from the resources they do have, but also decrease labor costs at the same time. Retailers are in an impossibly difficult position.

Figure 2: The Problems Compound

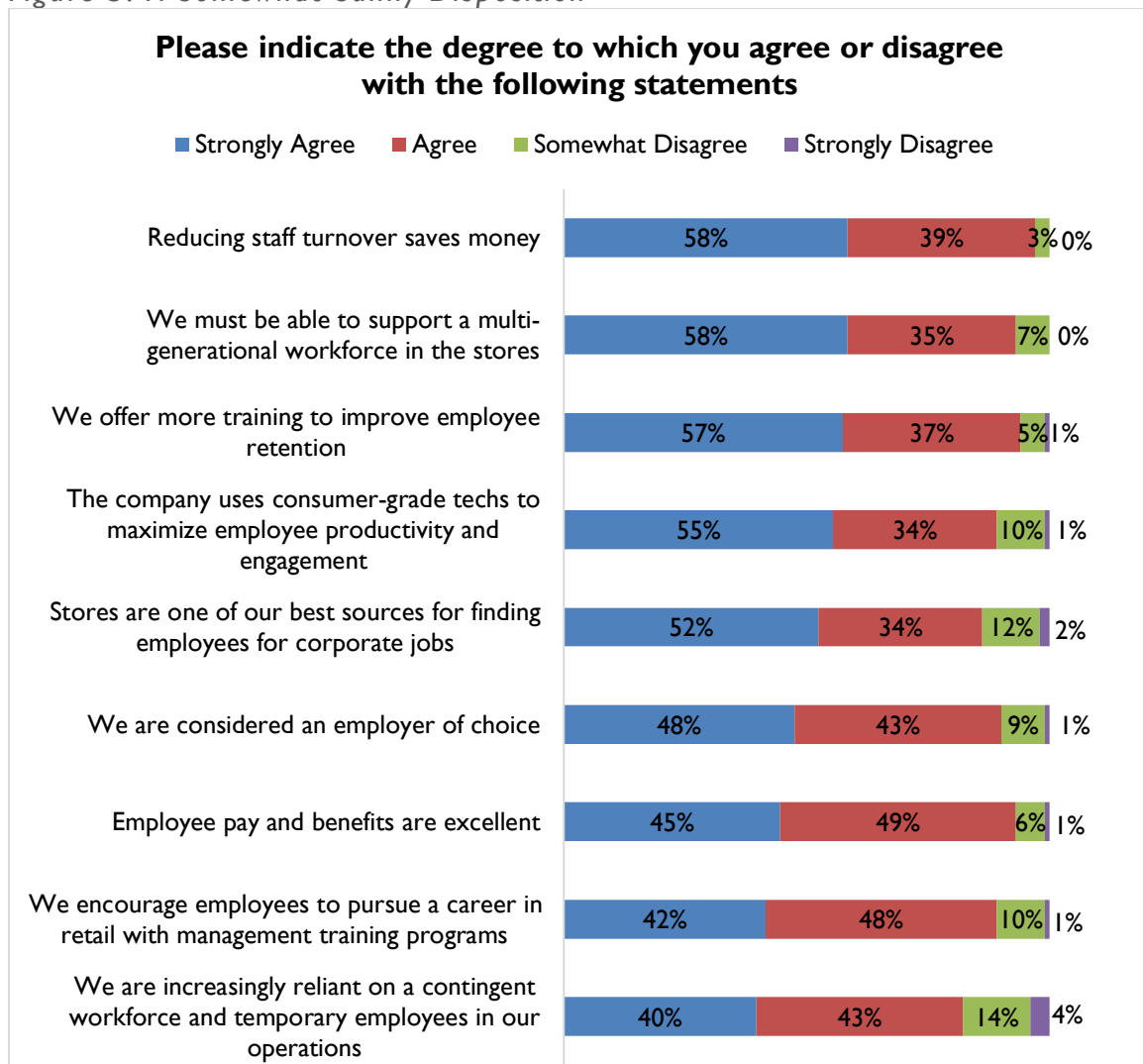


Source: RSR Research, May 2023

Where Does All This Lead?

Considering what we've learned in just the opening figures of this report, the data in Figure 3 seems, at first blush, a bit out of place.

Figure 3: A Somewhat Sunny Disposition



Source: RSR Research, May 2023

With our retail respondents painting a picture of the harsh reality in which they currently find themselves – understaffed, unable to attract and hang onto great talent, and met with increasingly demanding customers whose expectations for customer service continually fall flat – how could 48% of our retail respondents consider themselves an employer of choice? How could another 45% report excellent pay and benefits?

One potential answer is straightforward: that retailers tend to be aspirational. As our recent forays into 360-degree research have shown (where retailers are asked to grade themselves on certain aspects of the business and then customers are asked to do likewise), the gaps aren't just large, but they are *consistently large*. No matter the topic - promotional campaigns, customer service, out of stocks - retailers grade themselves much higher than do even their most loyal customers.¹

¹ [Merchandising In The Modern Era: More Important Than Ever](#), RSR Benchmark, January 2023
[The Quest For A Resilient And Agile Supply Network](#), RSR Benchmark, April 2023

The other answer, however, is more interesting. While the overall responses in Figure 3 initially seem out of place, when one examines responses based on the *sales performance* of the retailers who have responded to this study, we get a different picture. But before we can discuss that, we must first explain the notion of **Retail Winners**.

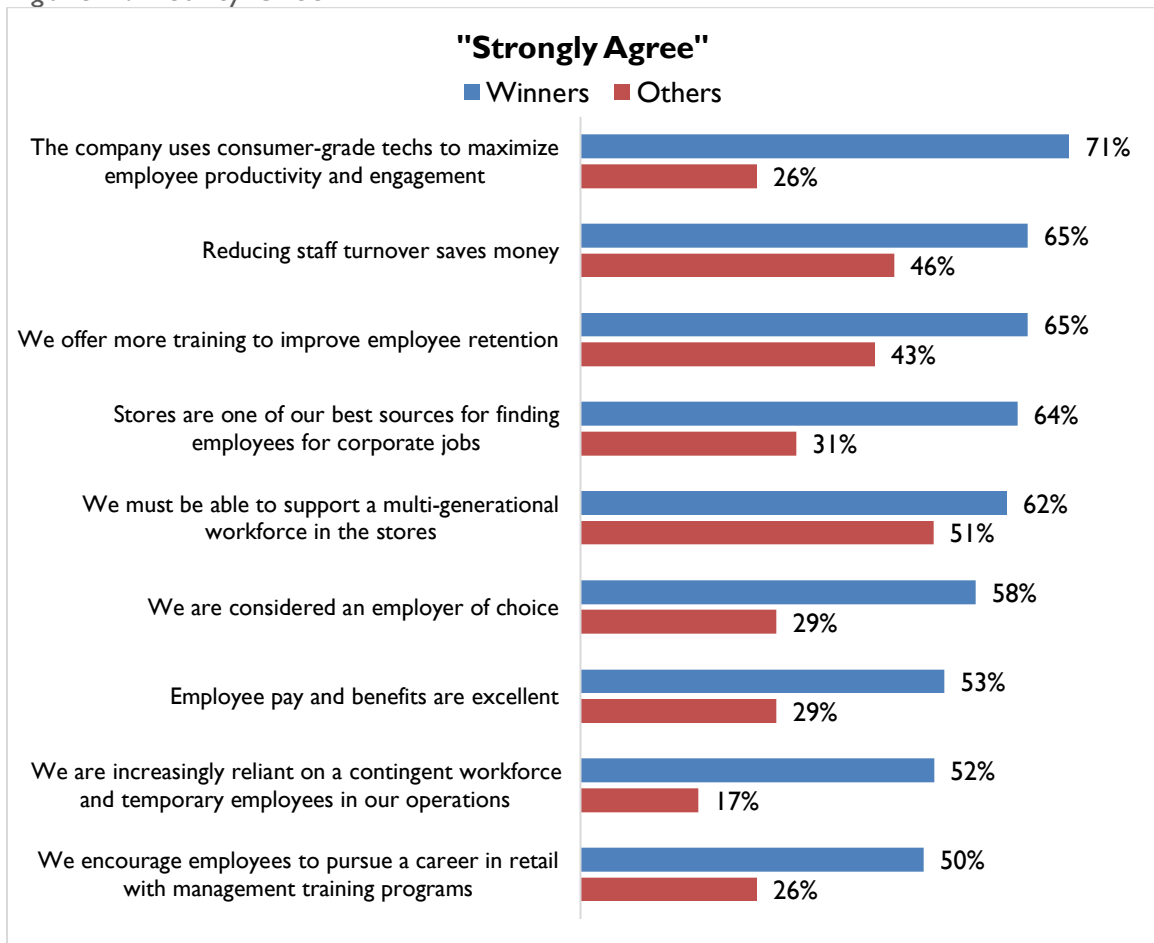
Retail Winners And Why They Win

In our benchmark reports, RSR quite frequently cites differences between retailer over-performers in year-over-year comparable sales and their competitors. We find that consistent sales performance is an outcome of a differentiating set of thought processes, strategies and tactics. We call sales over-performers “Retail Winners.”

RSR’s definition of these Winners is straightforward. Assuming industry average comparable store/channel sales growth of **7 percent** during the wildly inflationary times of 2022, we define those with sales above this hurdle as “Winners,” those at this sales growth rate as “average,” and those below this sales growth rate as “laggards” or “also-rans.”

One trend that will emerge throughout this report is that Retail Winners approach the same problems everyone else has *in very different fashion* – and their reactions (and results) also vary as a result. The data we’ve just seen in aggregate, above, in Figure 3, is a prime example. Figure 4 shows that same data, but when viewed through the lens of sales performance.

Figure 4: Reality Check



Source: RSR Research, May 2023

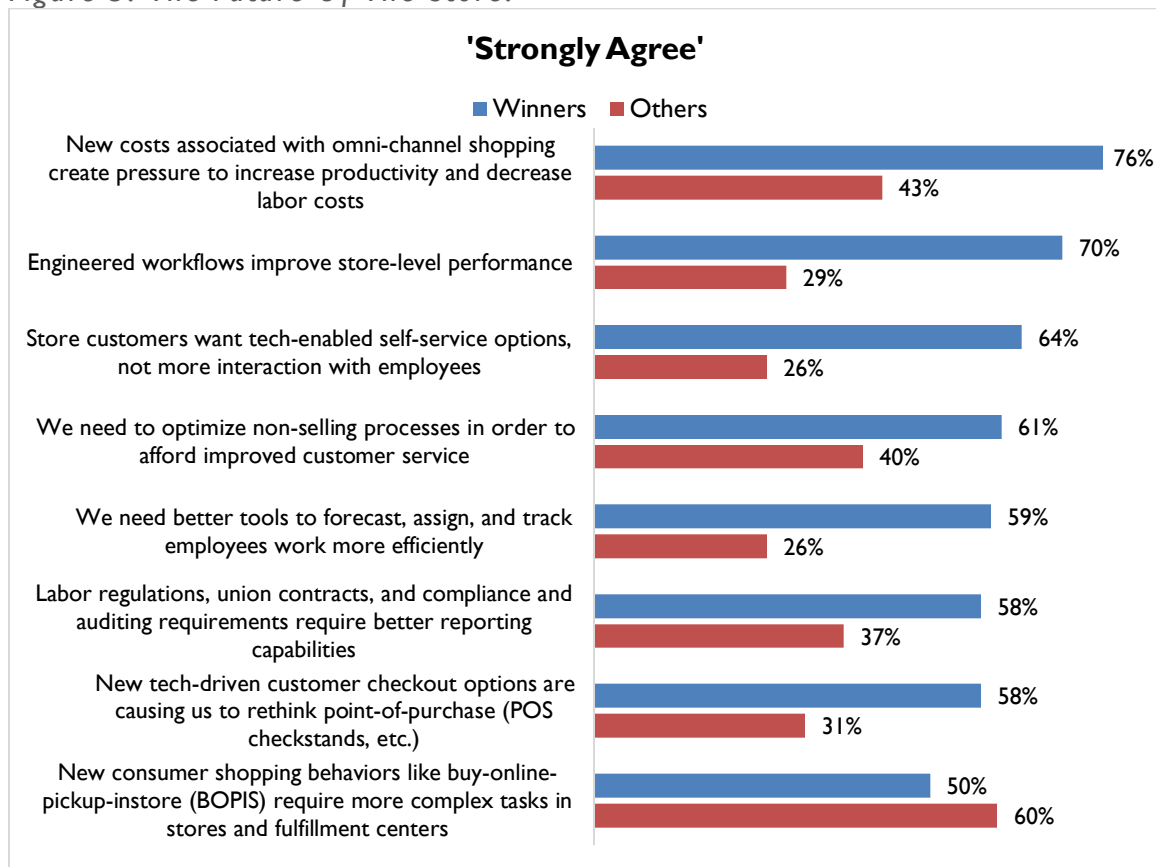
The responses in Figure 4 paints a clearer picture of the actual retail landscape. **Retail Winners are nearly three times as likely to be folding consumer-grade technologies into their stores to help give associates a fighting chance of being relevant.** Shoppers are never without their smartphones and will use them intuitively – *almost unconsciously* – to solve their lifestyle challenges. Arming store-based associates with those same tools that, a) level the playing field, and b) that don't require intensive training to understand is the absolute least a retailer can do to stay in the game. Winners know this, and it's why they are also twice as likely to consider themselves an employer of choice, offer better pay – the list goes on.

Their self-assessments may still be a bit optimistic, but at least they are undertaking the initiatives that can help bring about positive change.

Winners See Fewer Limits – With AND Without Associates

The findings in Figure 2 also tends to take on new meaning when viewed through the lens of Winners vs. Others. Winners are acutely aware of the increased costs that omni-channel shopping has wrought and the fact that consumers aren't interested in engaging store associates – *at least associates as they stand today*. Could Winners' empowerment of store employees reverse this trend, creating enabling employees to be worth engaging more often? Only time will tell. But in the meantime, they aren't taking any chances. Retail Winners are more in tune with virtually every sentiment we put forward: including the concept of utilizing the capabilities (and the omni-presence) of customer-owned smartphones to replace traditional store-based systems – *even POS systems* – as they age.

Figure 5: The Future Of The Store?



Source: RSR Research, May 2023

The Grocery Situation

As important as it is to notice the differences in plans and actions as it is by sales performance, so too is it to understand these variances by the products retailers sell.

Fast Moving Consumer Goods (FMCG) retailers, which include grocery, pharmacy, and convenience stores, were impacted by the COVID-19 pandemic far differently than many others, due in part to their *essential* nature. Their ability to stay open while most specialty and fashion retailers, virtually all mall-based retailers, and *large swaths of restaurants* were shuttered for extended periods of time, saw two major developments: the first was banner sales and profits. The second, however, was employee burnout. Grocers are often hardest pressed to attract and retain employees, and the current labor-shortage has been particularly to overcome.

Their response? Utilize some of revenue brought in during the years when grocery shopping dominated the average shoppers' percentage of spend to offer the types of training that might help retain the talent they can attract in the first place. Put bluntly: grocers are desperate to reverse one of the key findings we saw in Figure 1, by trying to **help young people envision a future in retail**. They still have a long way to go, but to see the numbers in Figure 6 as high as they are is real progress for this segment, as grocers are seldom associated with early adoption of technology, let alone viewed pioneers of enhanced employee tools and training.

Figure 6: Grocers Looking To Capitalize

"Strongly Agree" (Selected Differences)				
	FMCG	Fashion & Specialty	GM	Hardgoods
We offer more training to improve employee retention	71%	41%	42%	62%
The company uses consumer-grade techs to maximize employee productivity and engagement	68%	26%	42%	76%
We encourage employees to pursue a career in retail with management training programs	46%	19%	42%	62%

Source: RSR Research, May 2023

Retailers have come to a clear understanding that the work environment needs to reflect how people live their daily lives. The question that prospective employees ask is, "if I can have instant access to useful information at home, then why can't I have the same at work?" Later in this report, we will discuss how retailers in general, and FMCG retailers in particular, prioritize their efforts to enable employees to work more efficiently and effectively using the same technologies that are available to consumers everywhere.

Methodology

RSR uses its own model, called The BOOT Methodology[®] to analyze Retail Industry issues. We build this model with our survey instruments. See [Appendix A](#) for a full explanation.

In our surveys, we continue to find the kinds of differences in thought processes, actions, and decisions cited above. The BOOT helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

Survey Respondent Characteristics

RSR conducted an online survey in the spring of 2023 and received answers from 101 qualified retail respondents. Respondent demographics are as follows:

- **2022 Revenue (US\$ Equivalent)**

Less than \$250 million	3%
\$250 million - \$499 million	9%
\$500 million - \$999 million	42%
\$1Billion to \$5 Billion	35%
Over \$5 Billion	11%
- **Products sold:**

Fast moving consumer goods	40%
Apparel, footwear and accessories	27%
Hard goods	21%
General merchandise	12%
- **Headquarters/Retail Presence:**

	<u>Retail Presence</u>
USA	99%
Canada	41%
Latin America	22%
UK	37%
Europe	31%
Middle East & Africa	9%
Asia/Pacific	7%
- **Year-Over-Year Sales Growth Rates** (assume average growth of 7%):

Worse than average (“Laggards”)	1%
Average	24%
Better than average (“Retail Winners”)	65%

Business Challenges

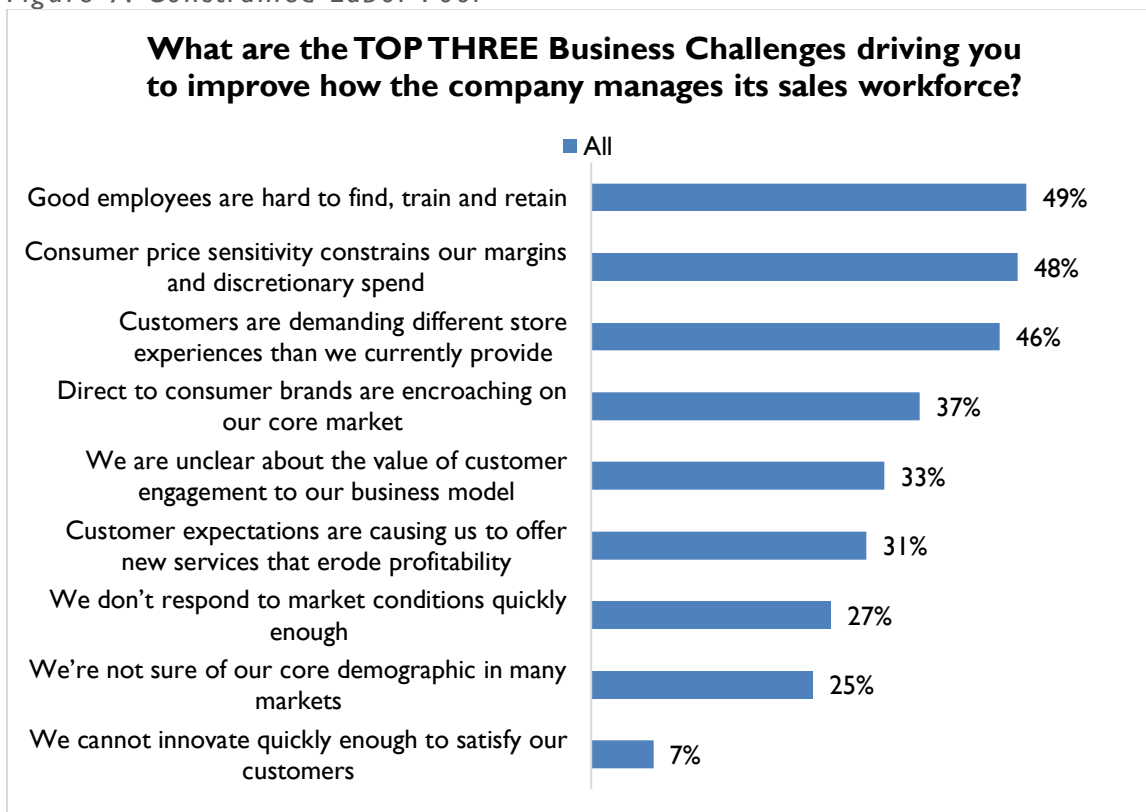
No Let Up On The Pressures Retailers Face

In RSR's 2022 benchmark on the state of the retailer workforce, RSR remarked that, "...in times like the current low-unemployment economy, retailers struggle to attract people who want to work in an environment where the pay and benefits are low, the hours are long, training is minimal, and customers are demanding. Retailers know that investing in the development and maintenance of store staff to provide real customer service is an imperative."²

That dynamic hasn't fundamentally changed. While in the first quarter of 2023 overall unemployment remained low, economies are facing headwinds that affect retail. For example, in the U.S. the industry lost jobs in March 2023, despite overall unemployment figures being virtually unchanged. Longer term, government estimates are that by 2031 there will be a decrease in retail employment compared to 2021³, while other services jobs (for example, Leisure and Hospitality and Healthcare) will see growth. In short, people have other options besides working in a store.

So, it is no surprise that retailers still identify finding and retaining employees to be their top business challenge affecting the workforce, superseding consumer-related challenges (Figure 7).

Figure 7: Constrained Labor Pool



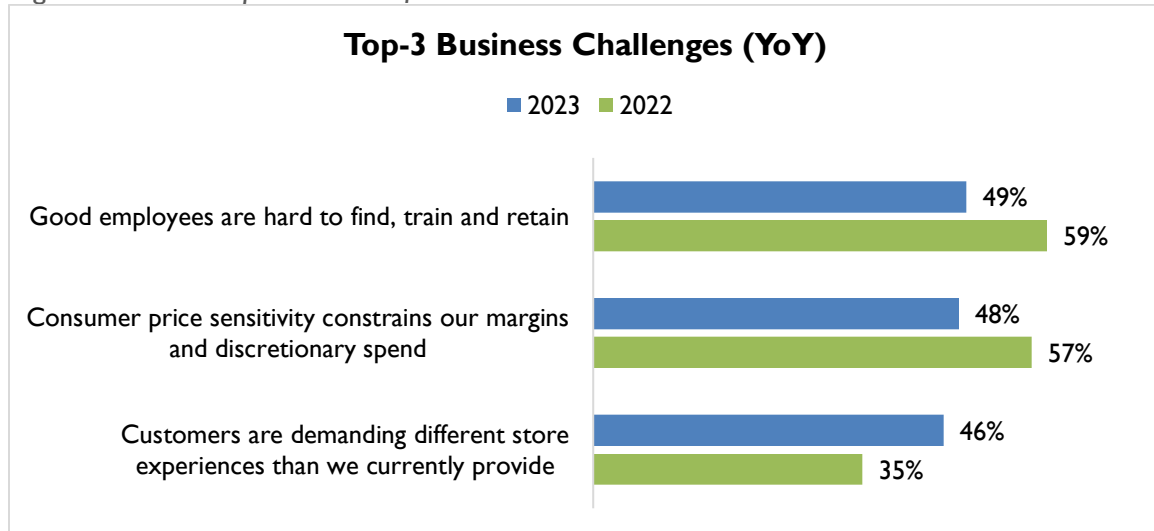
Source: RSR Research, May 2023

² [Has The Era Of The Empowered Workforce Finally Arrived?](#), RSR Benchmark Report, May 2022

³ <https://www.bls.gov/emp/>

Comparing the top challenges year-over-year tells us that while the top-3 that retailers identified in 2022 haven't changed, their emphasis *has*. In particular, the challenge that “customers are demanding different store experiences than we currently provide” has risen over 31% since 2022, from 35% to 46% (Figure 8).

Figure 8: An Important Shift



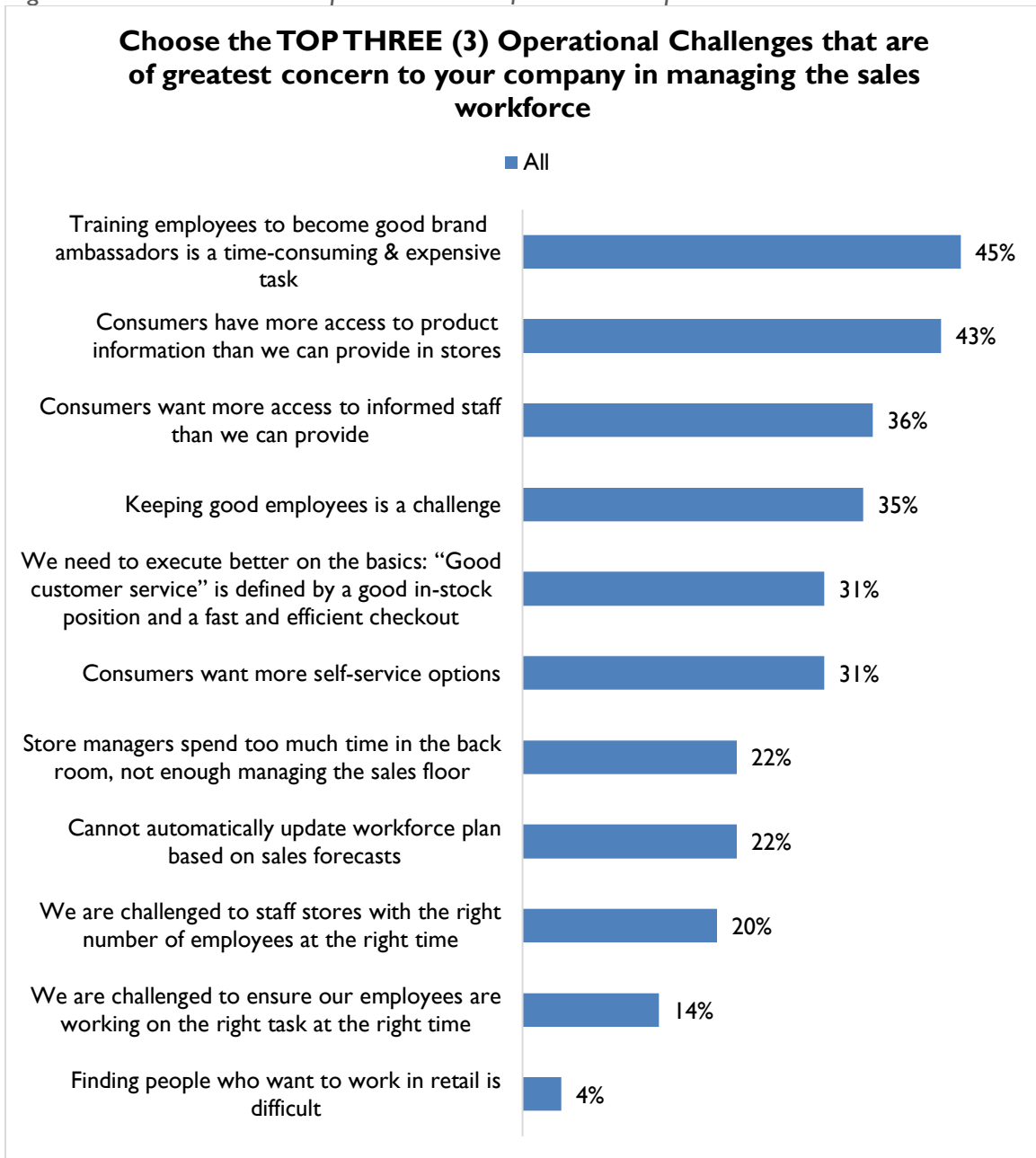
Source: RSR Research, May 2023

This causes us to look at the year-over-year changes in another of the business challenges we identified, that “*We are unclear about the value of customer engagement top our business model*”. In 2022, 26% of retailers identified this as a top-3 challenge; this year that response rose to 33%. One explanation for this is that there’s a tacit recognition among some retailers that their shoppers aren’t really interested in engaging with store employees, but rather in completing the shopping journeys that they in all probability began in the digital domain.

What we can glean from this is that while *employee* enablement may be on the agenda, so is *customer* enablement. Neither consumers nor retailers have abandoned the self-service model – consumers just want a self-service experience that uses the same technologies that they use in their everyday lives. This is reflected in Figure 9, where 31% of retailers state that they are challenged by consumers who want more self-serve options. Looking inside this result, we see that this is a particular focus for the largest retailers (in this study, those with over \$5B in revenue); 45% of these retailers see this as an operational challenges, compared to 29% of all others.

Later in this report, we will highlight an increased focus on “*customer self-service shopping tools*” and “*cashierless checkout*”; in both cases, more retailers assign a “high value” to those technologies.

Figure 9: Is It Time To Update The Self Service Experience?



Source: RSR Research, May 2023

Some retailers are rethinking the value of having better informed and empowered employees available to customers on the sales floor. Six years ago, when RSR asked retailers to validate several statements about customer and store employee technology enablement, almost one-half of retailers expressed pessimism that they could keep up with consumer technology adoption⁴:

⁴ [Retail Needs A Better Workforce: What Will It Take?](#), RSR Benchmark, December 2017

December 2017	Strongly Agree	Agree	Disagree	Strongly Disagree
Customers are so far ahead technologically that employees may never catch up.	18%	32%	41%	10%
Consumers are already conditioned to use their own technology instead of engaging with employees.	24%	45%	28%	3%

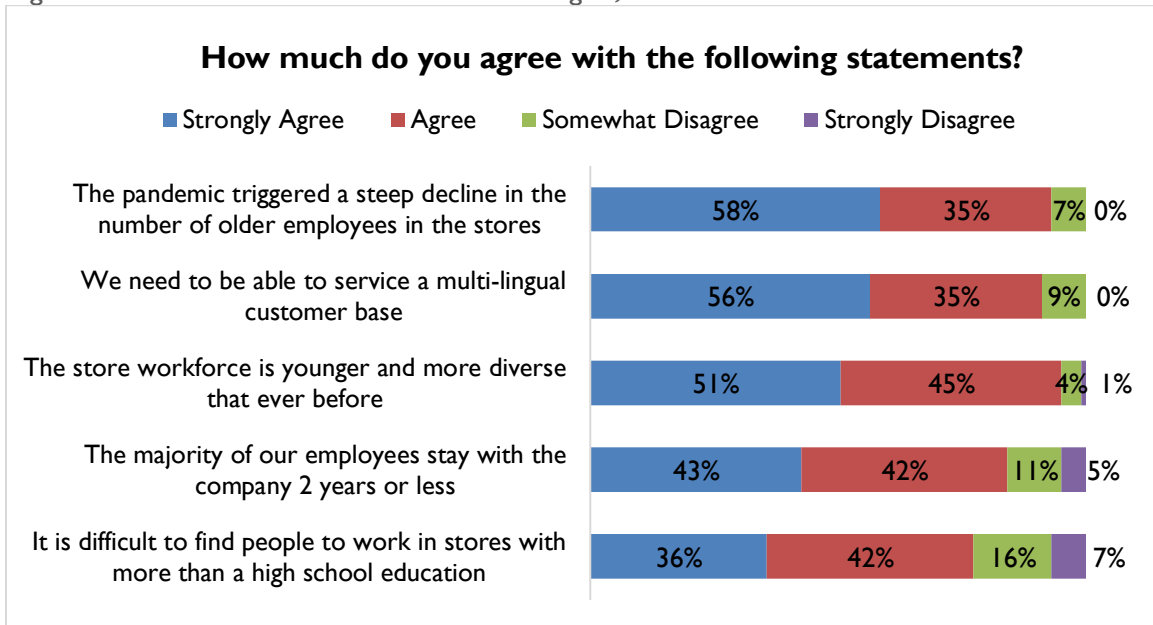
Consumer adoption of always-on/always-connected technology has only increased. And in 2023, we can see a significant drop in the number of retailers who tell us that consumers “*want more access to informed employees than we can provide*” from just one year ago (from 45% in 2022 to 36% now). This change may not be due to retailers having improved employee enablement, but rather that their **customers have moved on and are helping themselves with the technologies they have at their disposal 24X7**.

Is There A Big Generational Shift?

There has been much written about the “the great resignation” during the pandemic years 2020-22, and in fact the monthly “quits rate” has increased (for example, in the U.S. the current rate is 2.6% per month compared from its low point of 1.2% per month in early 2020).

Without any question, retailers are aware that the labor pool is changing (Figure 10).

Figure 10: The New Labor Pool – Younger, More Diverse

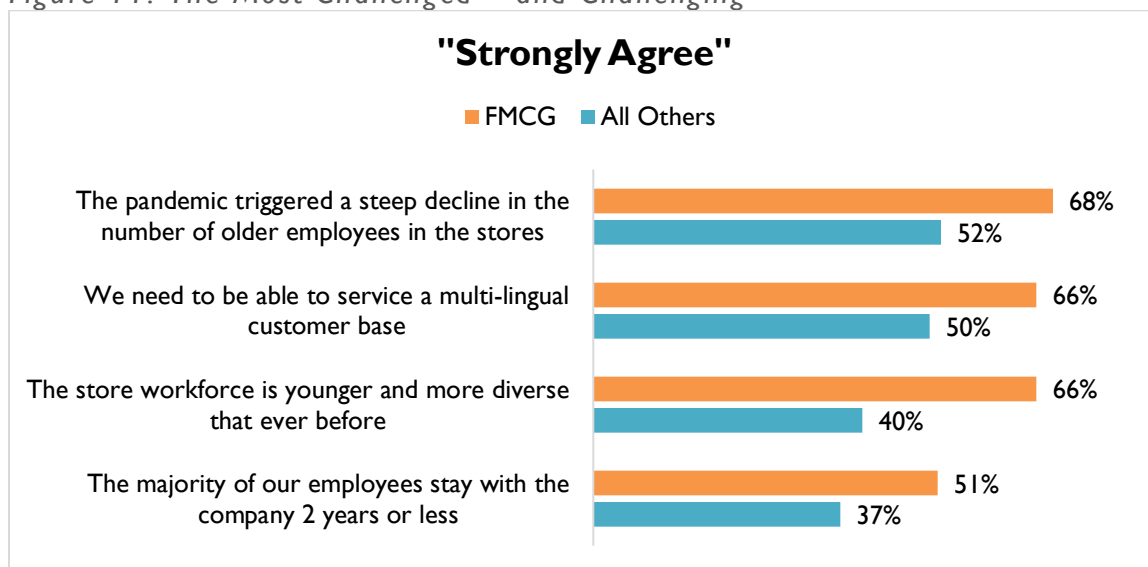


Source: RSR Research, May 2023

While these findings generally reflect changes in the population at large, they also point to challenges that retailers have in managing the workforce. **The ability to manage a younger and more mobile, multi-cultural, and tech-savvy workforce is a true operational challenge factor for most retailers.**

But when we look at this by retail vertical, it becomes clear that one vertical in particular is challenged: fast-moving-consumer-goods - FMCG retailers (Figure 11),

Figure 11: The Most Challenged – and Challenging



Source: RSR Research, May 2023

FMCG – grocery, chain drug, and convenience stores – is perhaps one of the toughest retail work environments to work in. Grocers have big stores with large SKU counts that need to be replenished around the clock. The volume flowing through stores is immense – for example, U.S. grocer Kroger reports that their stores average an annual revenue of \$40M each (the industry standard is approximately \$15M/year based on an average store size of 45,000 Sq.’).

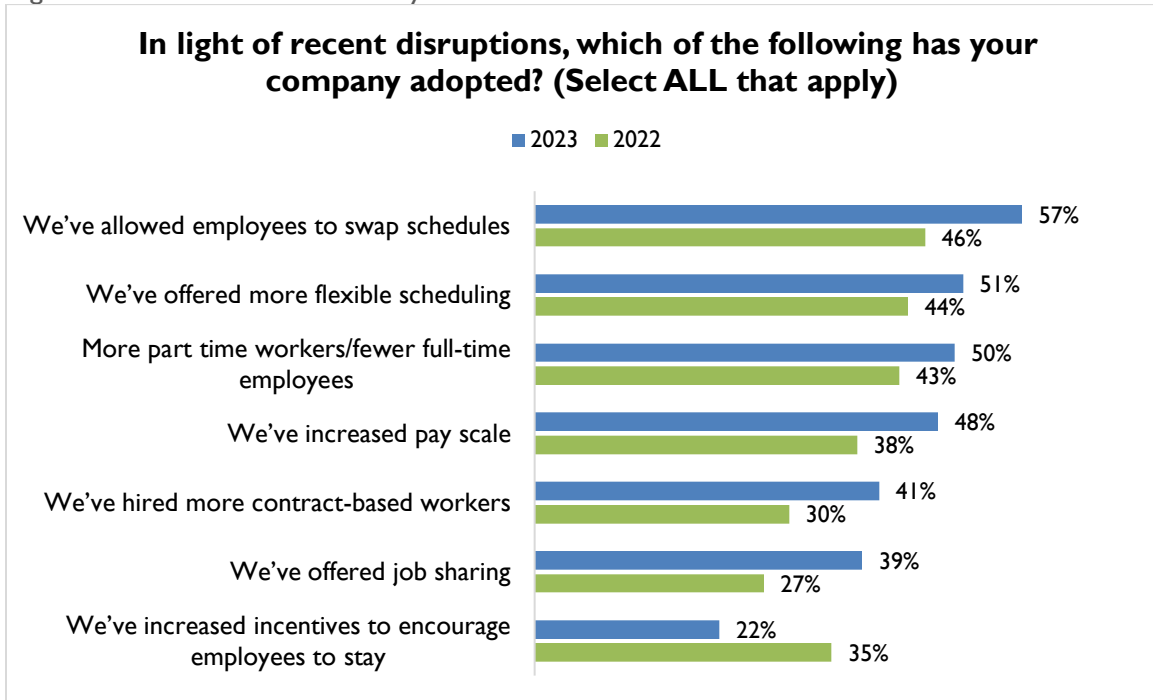
Along with their big boxes and big assortments, grocers have large staffs and experience a high turnover rate. These retailers are most challenged by the “great resignation” and the shift in the labor pool towards younger, multi-cultural, and multi-lingual workers. For them, technology enablement means finding solutions that can support a much more complex set of requirements than in times past.

A Little Of Everything

The picture that retailer responses to our questions paint is a difficult one: employees are hard to find, younger workers are culturally more diverse, and prospective staff members have certain expectations related to technology enablement (and consumers have similar expectations). There’s also a great deal of uncertainty about what the future store experience will and should be. Retailers are challenged to address all these issues at the same time, but they know they are not moving fast enough to please anyone.

What they offer instead to prospective employees is a potpourri of incentives; flexible scheduling, job sharing, better pay, and even incentives to stay -although that is decreasing since 2022 (Figure 12).

Figure 12: Have It Your Way



Source: RSR Research, May 2023

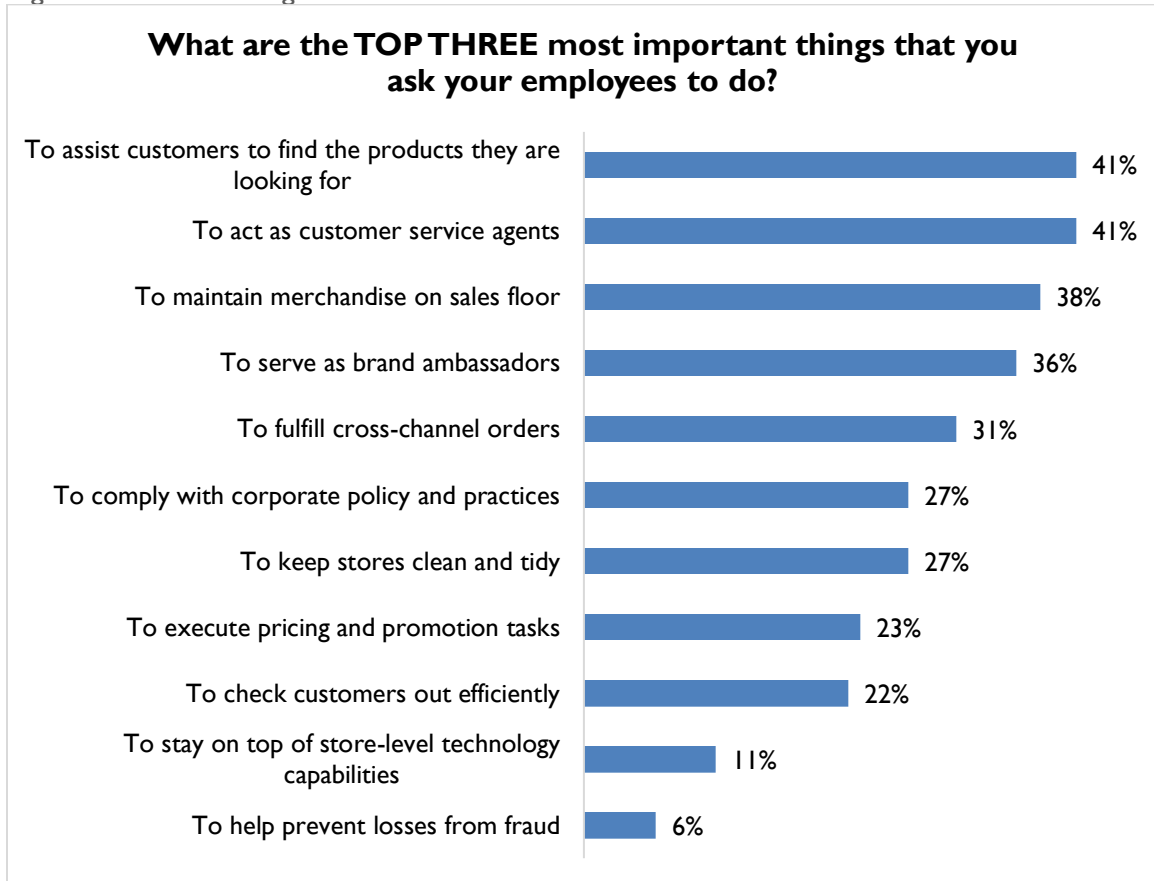
As we'll see in the **Opportunities** section in this report, these accommodations are tied closely to how retailers are addressing the future of the store itself, an environment that is more in tune with the ways in which consumers shop today.

Opportunities

Cognitive Dissonance

As we've seen so far, a sea change is taking place particularly as it relates to store-based shopping. This change extends to what current workers want, what *potential* workers want, and in what employers are demanding from a modern retail workforce. But many retailers are slow to respond to the reality that shoppers are often far along in their paths to purchase before they walk into a store (Figure 13).

Figure 13: *The Song Remains The Same*



Source: RSR Research, May 2023

Figure 13 is indicative of a problem - that some retailers appear frozen in the past.

Today's press – and for that matter, today's shoppers – don't often give retailers enough credit for **just how much** change they have endured in the past few years. And when one considers how much change the retail industry has changed in the past 10 to 15 years, it is quite remarkable that so many have fared as well as they have. Customers know almost as much about products as those products' *manufacturers* do, and are anywhere-enabled with not only limitless comparative information but also limitless comparative *shopping power*.

The global pandemic of 2020-22 only accelerated new consumer digitally enabled shopping behaviors. When retailers are confronted with a category killer willing to forgo profit in the name of

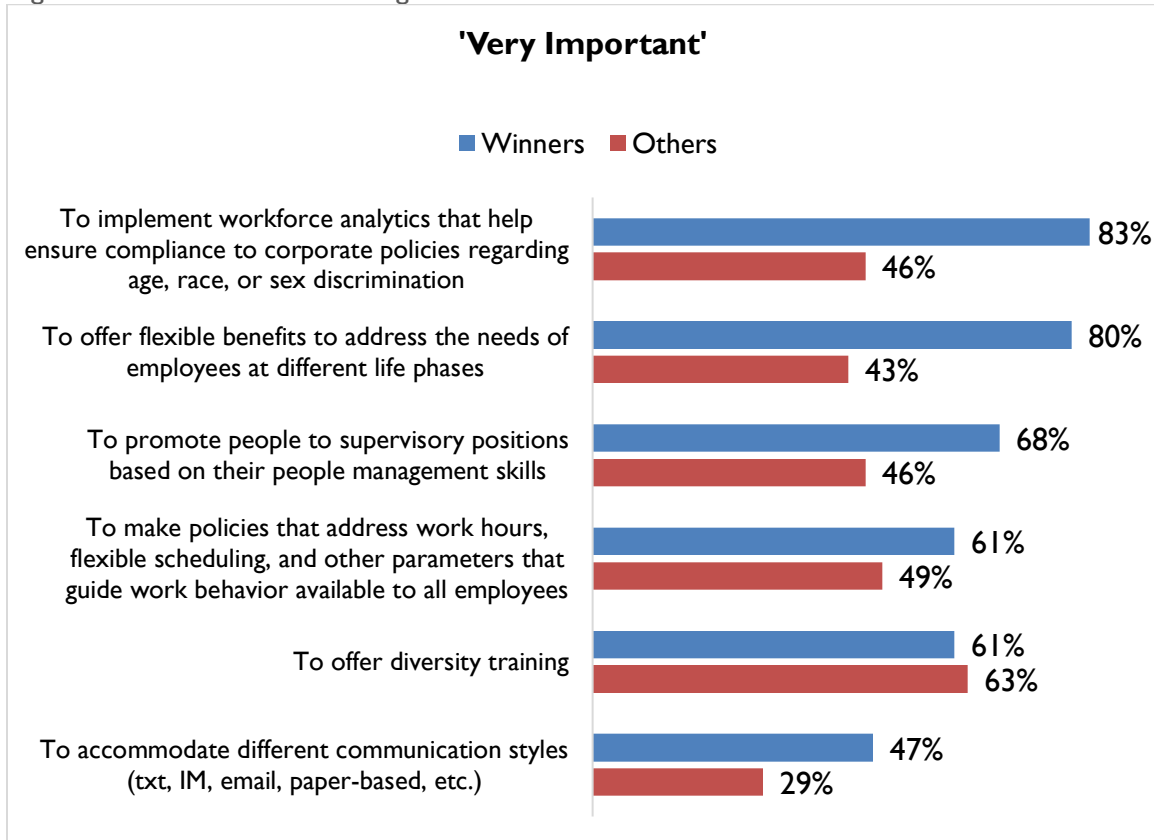
stealing market share (eg. **Amazon.com**), it's a wonder so many retailers are standing as tall as they are.

Retailers are hardly frozen in time, but Figure 13 makes them seem like they are. Consumers don't need employees to help them find the products they are looking for as in days past; they are solving such issues at the speed of their smartphones, and employees – with the tools they currently have – simply cannot match that speed. To make employees relevant for consumers, retailers need to recognize this reality, and arm their associates with tools that will help consumers complete their shopping journeys – not start them.

In Pursuit Of Equity

If the general response pool is somewhat out of touch with what a store associate is currently “for” in the year 2023, one would hope Retail Winners offer an enlightened perspective. As Figure 14 shows, they are, as ever, true to form.

Figure 14: Winners Aim Higher



Source: RSR Research, May 2023

It cannot be overstated how much change the world has experienced – not just in how buying and selling take place, but at nearly every point of societal interaction – in the past few years. Social norms, structures, and mores have undergone enormous transformation, and the modern workplace is often the crucible under which many of these new constructs are tested. Would 6 out of 10 retailers – even high volume, low touch brands – be prioritizing diversity training in 2018?

And yet Retail Winners, as ever, lead the way in virtually every facet of this new way of thinking. More than 8 out of 10 prioritize new analytical tools that factor in guidelines and possible

discrimination issues based on an employee's gender, skin color or age when addressing workforce matters. Their concerns don't stop at identity: nearly twice as many Winners are making efforts to accommodate different communication styles (email vs text vs. slack-style messaging) when engaging with a diverse and multi-generational workforce, as well. People don't fit into the one-size-fits-all model very often, and scientific research clearly proves that *communication style* is one of the most often-overlooked variants in how people learn, engage, and feel part of something (or excluded from something) larger than themselves.

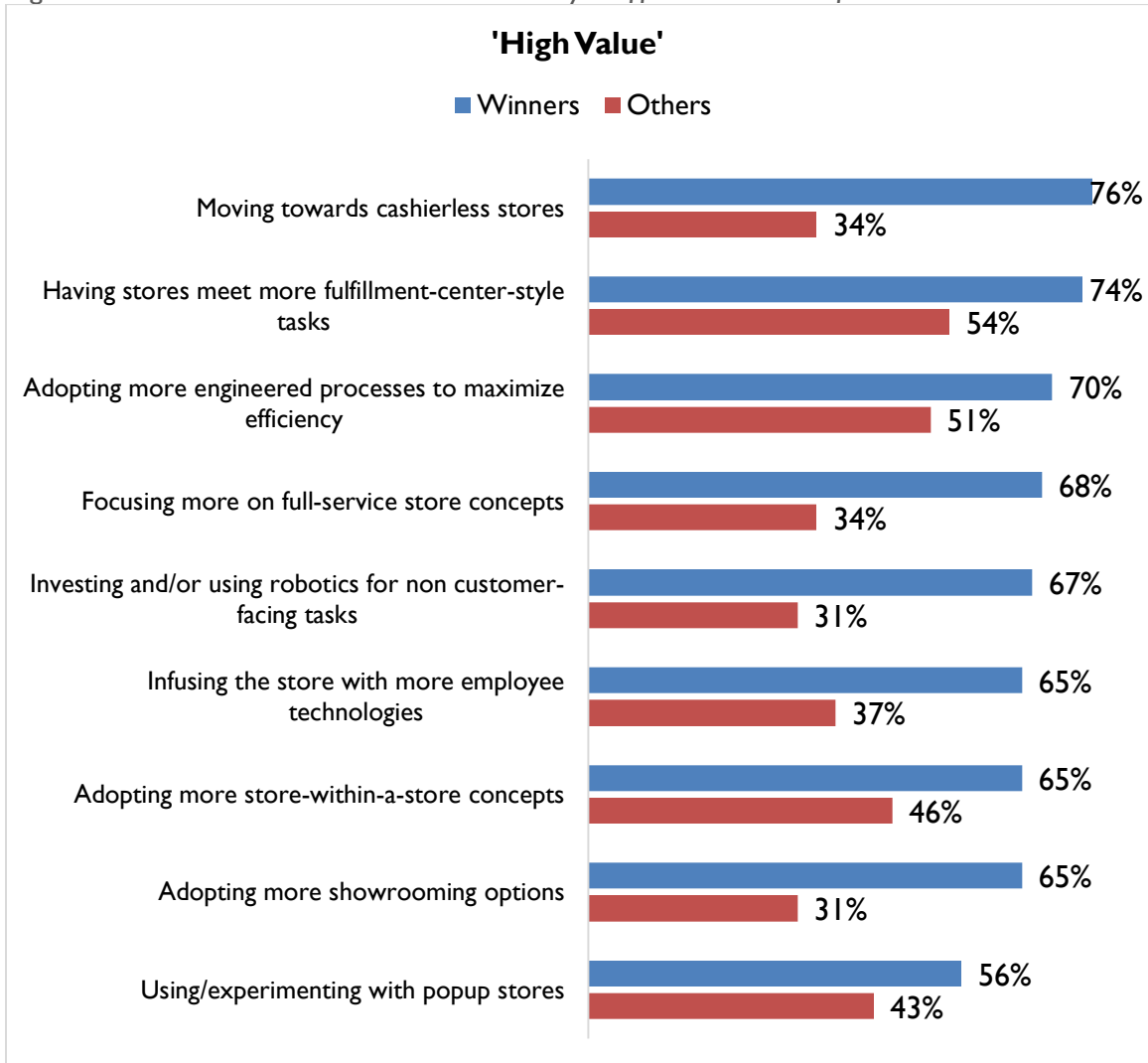
Put simply: **Winners are looking to foster an environment of inclusion**, and that extends to who they hire, how those people can have a hand in their own quality of work/life balance, how messages and communications flow in a way that works for all – even how to ensure that promotions are given out fairly and without bias. They are much more interested in creating environments of true equity.

It's the kind of thinking that will attract and help retain the type of talent they so desperately need.

Meanwhile, In Stores

While Winners are pursuing this higher-level model of work environment, they also have very different ideas of what the store, itself, might look like in the very near future (Figure 15).

Figure 15: Winners Also Envision A Very Different Kind Of Store In The Future



Source: RSR Research, May 2023

Stores where shoppers are their own cashiers, that double as mini distribution centers, and where automation is more involved behind the scenes – all are of interest, and all fall into what RSR often refers to as “the digital/physical shopping experience”. Several online-heavy brands (such as the outdoor goods retailer **Backcountry.com**, which ranks highly on virtually every list of innovative retailers in the past decade), have opened stores that fit this model. Shoppers are greeted by laptops and screens, not racks of product. Their shopping cart (whether built on their phone at home or via in-store assistance), then prompts a pick task from the massive warehouse that exists “behind the counter,” and a few moments later they are physically comparing two products that no store would be large enough (or profitable enough) to have in stock.

Winners are open to these new concepts.

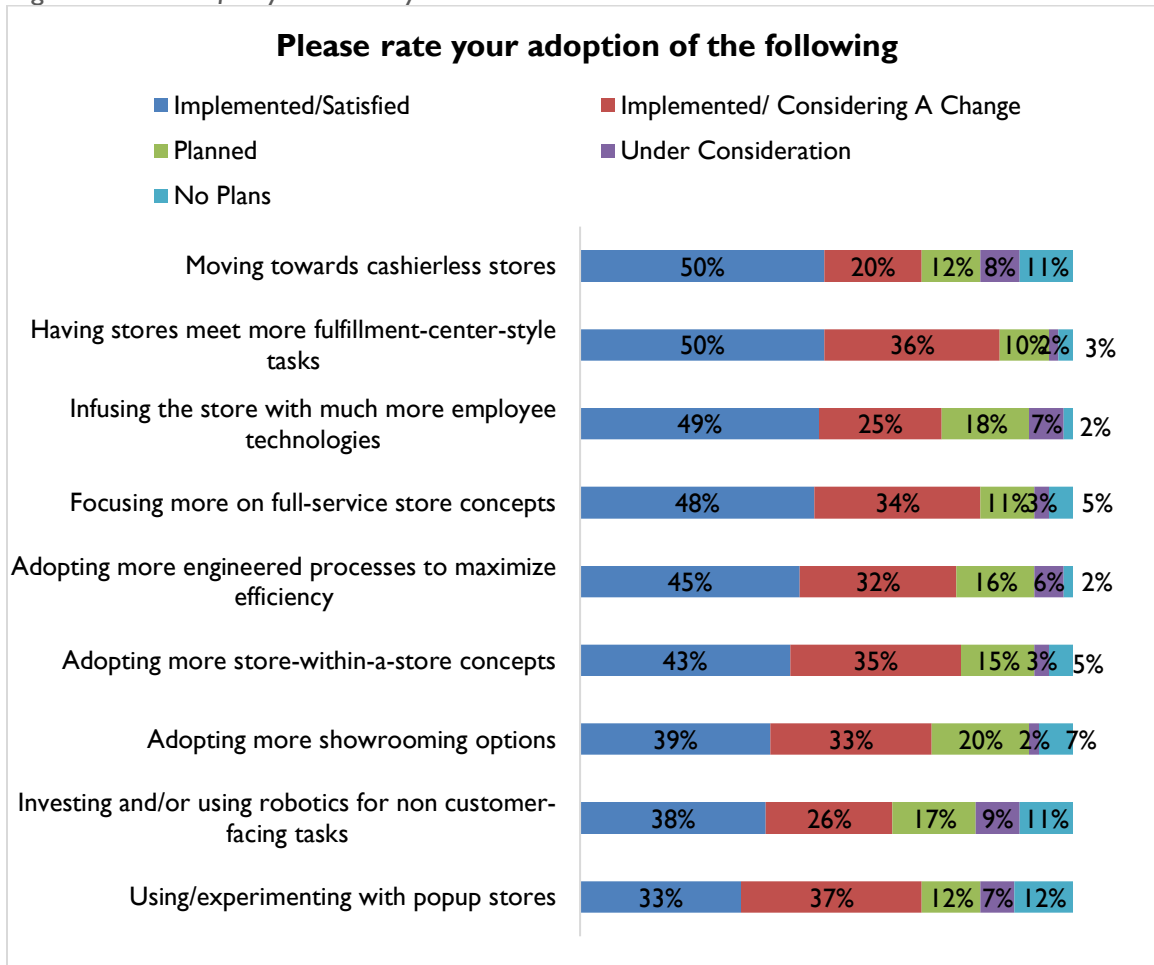
But they are also exploring the direct antithesis of such automated models, such as stores where a return to full service helps set them apart. Some retailers feature stores that encourage showrooming and interaction, relying on those successful interactions to lead to further engagement and ensuing sales.

The best retailers are open to all the concepts that could shake up the current state of retail. But as Figure 15 shows, the one thing they know must happen – no matter which format is being considered – is more technology to, facilitate a) the change itself, and b) the value of the workforce in whatever format that new model takes.

The Long Road Ahead

With so many possibilities ahead, where is the industry regarding implementation of next generation concepts? For those of us who make it our business to visit stores and evaluate them frequently, retailers' responses don't come as a surprise (Figure 16).

Figure 16: Halfway To Everywhere



Source: RSR Research, May 2023

Stores still look and feel today much like they did a decade ago - there's a lot of work yet to be done. Executing on all of the changes under would be no small task. However, customers don't see it this way. They just want more - and they want it now.

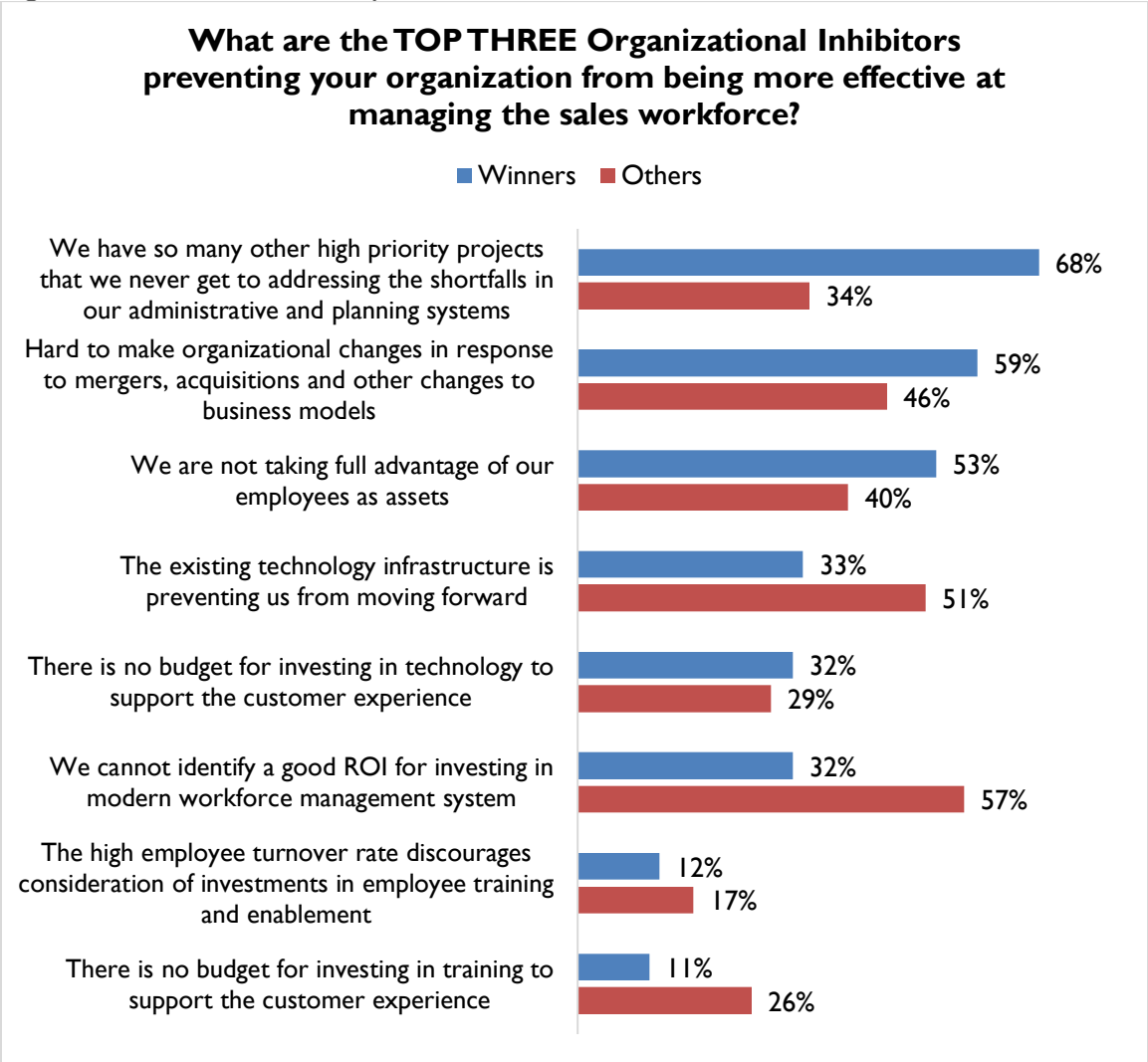
It's time to see how retailers plan to get past the roadblocks that stand in their way.

Organizational Inhibitors

So Much Change, So Little Time

Earlier in this report, we made the case that retailers have been buffeted by urgent and fundamental changes to their businesses, changes that might have been percolating for years but were pushed forward because of the global pandemic. For a large majority of over-performing Retail Winners, the pace and breadth of those changes is the top roadblock to being more proactive in addressing the needs of a younger, more diverse workforce (Figure 17). Most Winners also acknowledge that organizational change is hard, and in the current business climate it's even harder. But they recognize that they are just not taking full advantage of their employees as revenue generating assets.

Figure 17: We're Too Busy!



Source: RSR Research, May 2023

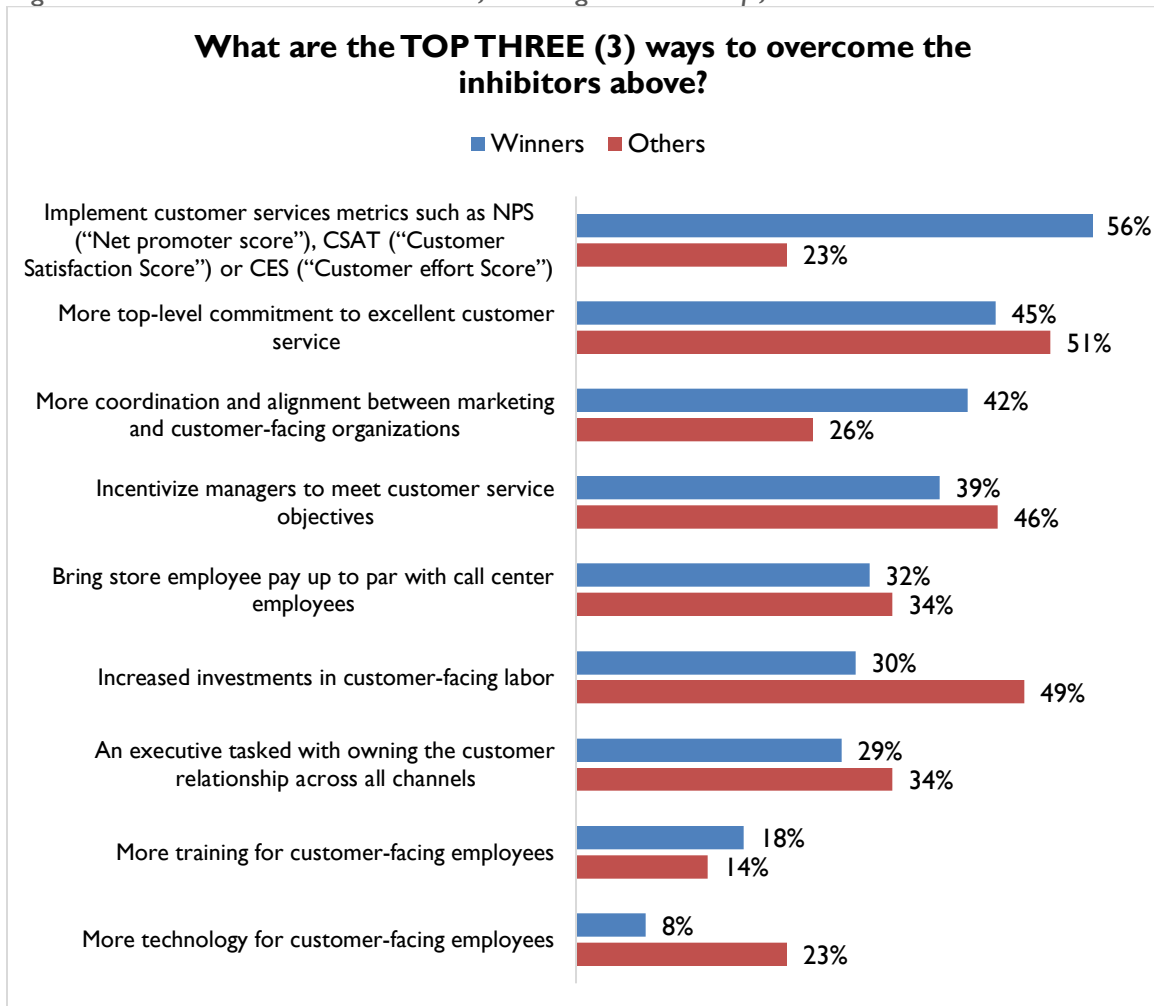
For average and under-performers, the story is completely different. While 40% of those retailers agree with Winners that they aren't taking full advantage of employees as assets, a majority of non-Winners complain that they can't identify an ROI to taking action. And failing that, there's always

one of non-Winners' favorite bogeymen, that “*existing technology*” prevents them from moving forward.

Let’s be clear: those considerations are excuses for inaction. The real obstacle of average and under-performers is that they don’t choose to act. So it’s more than a little surprising in what actions retailers believe would eliminate the obstacles to addressing workforce challenges and opportunities (Figure 18).

Almost one-half of all the retailers who responded to this study agree that “*more top-level commitment to excellent customer service*” is key to moving forward. Winners and non-winners agree to that point, but most over-performers first and foremost want to be guided by customer satisfaction metrics, whereas average and under-performers just don’t see that as a way forward. What the majority of non-winners want is strong leadership – and almost all of them *presume* that the result will be “*increased investments in customer-facing labor*”.

Figure 18: Customer Sat Metrics, Strong Leadership, Or Both



Source: RSR Research, May 2023

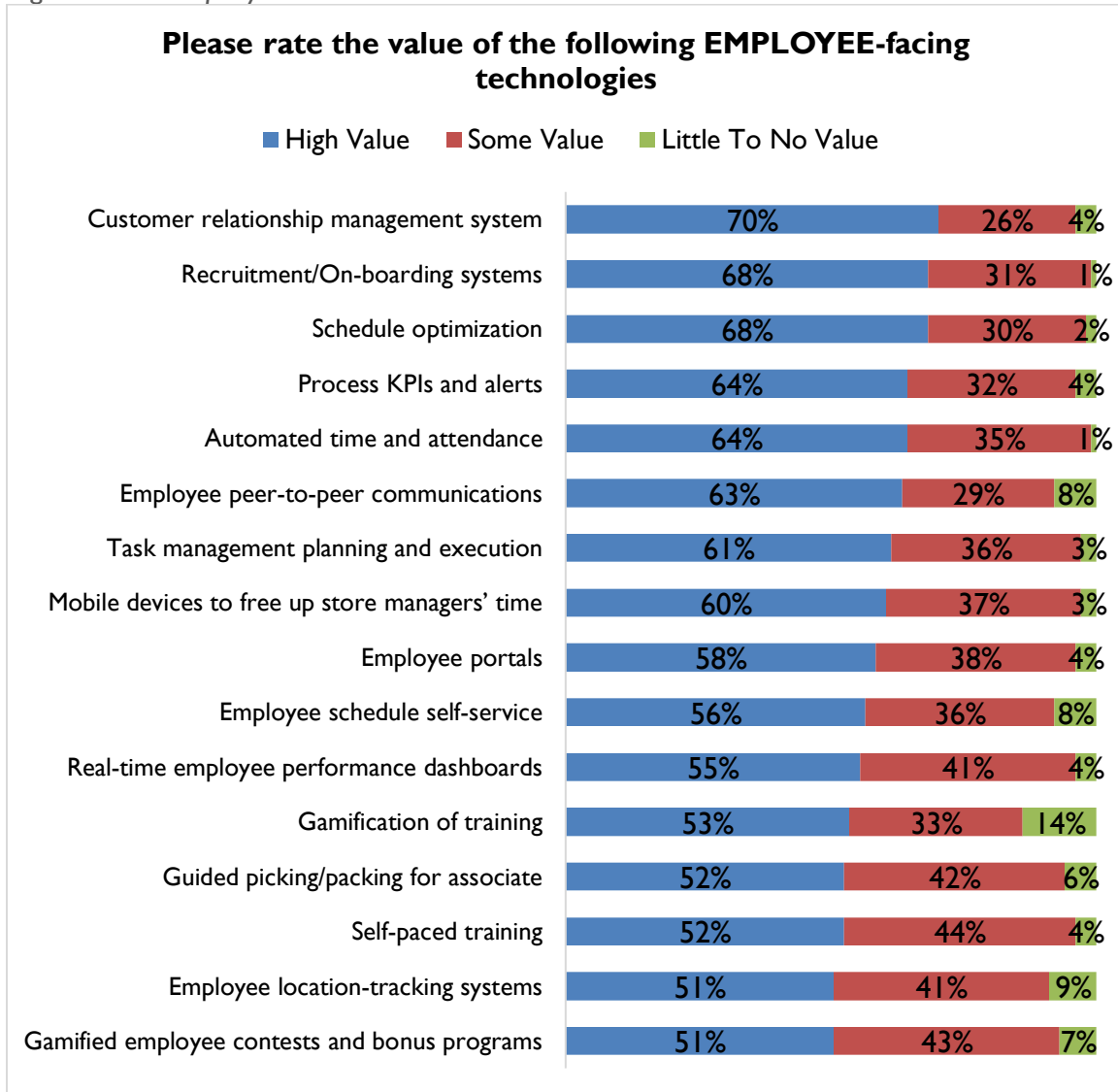
That’s an important difference: Winners want to use business intelligence to prioritize next-steps. Non-Winners want a strong leader to force the company spend its way out of the box it is in. The Winners’ approach promises the best, most targeted, action plan.

Technology Enablers

The Future Looks Bright

Retailers see *enormous* possibilities for what technology will enable their workforce to become someday in the – hopefully - not-too-distant future (Figure 19).

Figure 19: Employees Can And Will Be So Much More



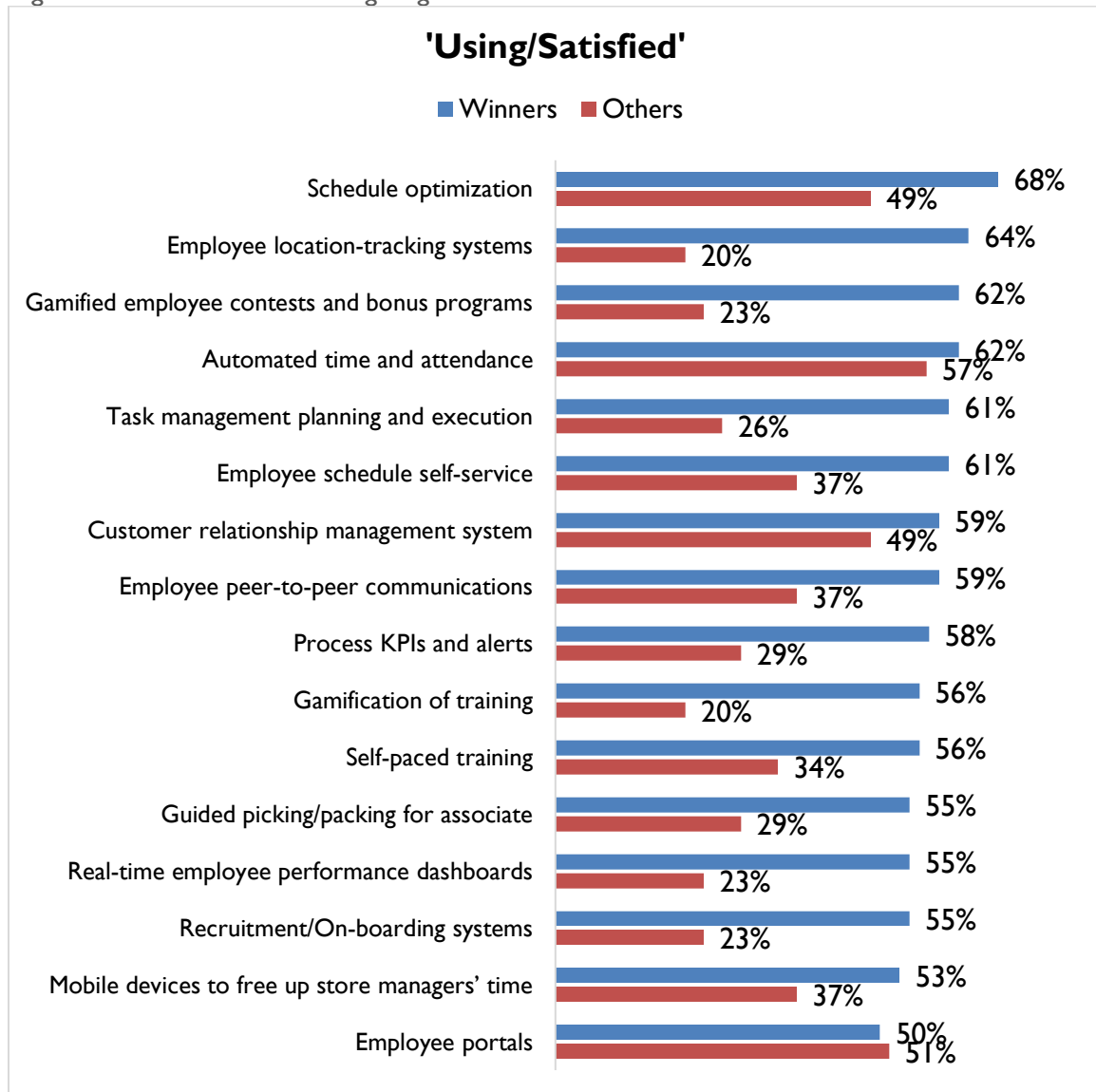
Source: RSR Research, May 2023

Indeed, a tech-enabled retail workforce is not a question of *if*, but *when*. Nearly every option on the table (the only exception being gamification of training) saw “little to no value” as a single digit option – and even that sees 86% of retailers finding some value. The most interesting technologies, however, are those highlighted in blue: after a few wild years, retailers are most interested in the types of technology that a) keep customers from abandoning ship, b) help find and bring on new talent and c) optimize the schedules of the folks they are lucky enough to have on staff. That might

just help keep workers happy, which in turn would make shoppers happy, and the whole cycle becomes virtuous.

The real question, then, is not about future possibilities, but about *value being derived today*. As Figure 20 shows, Winners have a significant head start.

Figure 20: Winners Betting Big



Source: RSR Research, May 2023

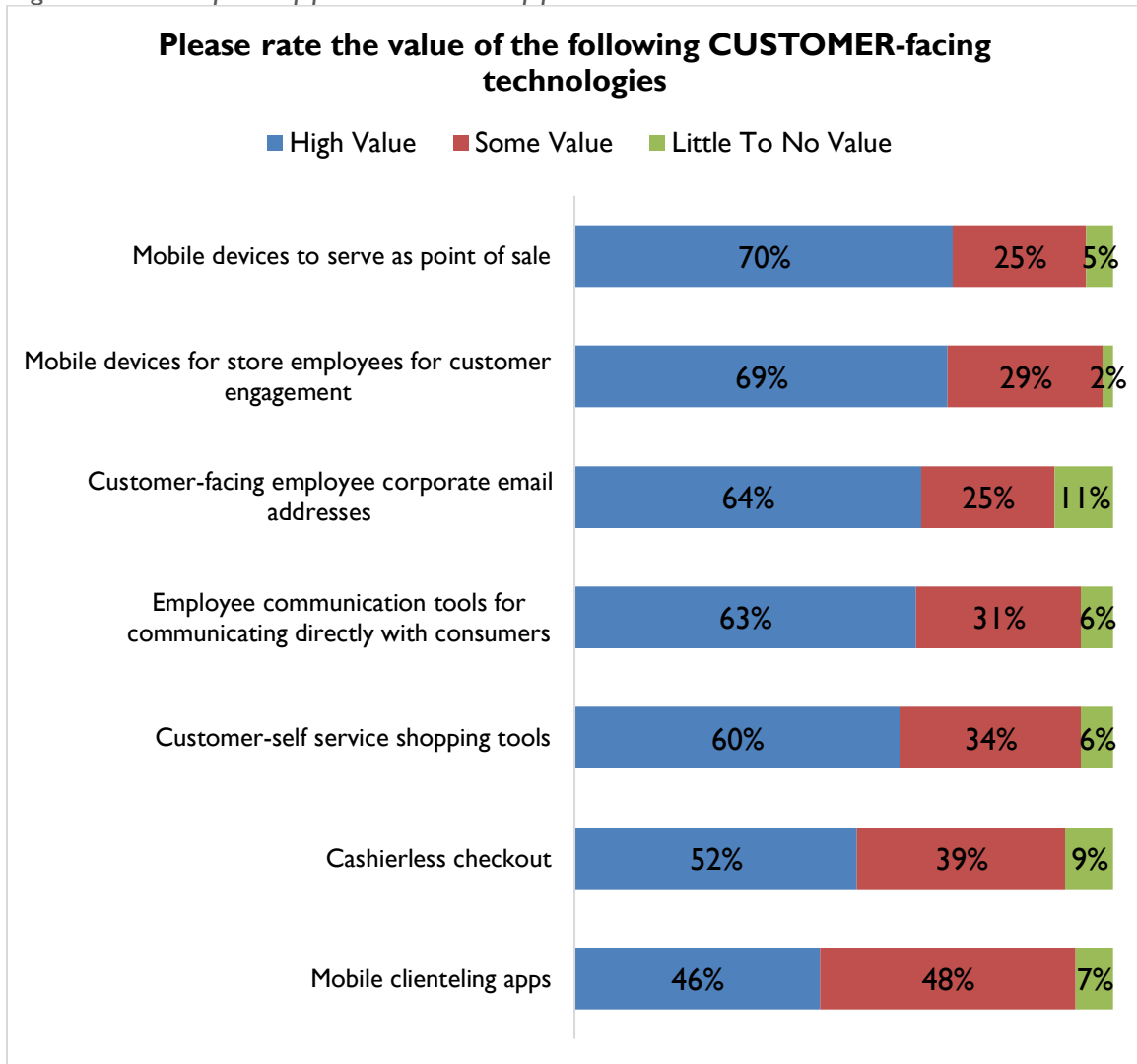
One of the more interesting findings from Figure 20 is that Winners' investment cycle – so far – has been solidly rooted in the pragmatic. The number one area they are seeing value isn't glitzy: it's simply about getting the schedule correct. Nearly 7 out of 10 of the best performers have invested here and consider this money well spent, compared to less than half of their average and underperforming peers. This is not to say Winners don't inordinately invest in more complicated technologies – they do. But what Figure 20 so clearly depicts is a) they have embraced an investment strategy that is rooted in fundamentals for some time now (know who to hire, where

those people are, and when they'll be there) and b) that back-to-basics investment strategy is paying dividends.

Things Get Complicated On The Customer Side

Consensus breaks down when our line of inquiry turns to customer-facing possibilities. When it comes to which technologies retailers think customers will *want* to interact with, their top interest seems to leave employees out in the cold, while their second choice leans *heavily* on the value of an empowered associate. What makes this so compelling is that only one percentage point divides the two (Figure 21).

Figure 21: Help Shoppers/Avoid Shoppers



Source: RSR Research, May 2023

What Figure 21 ultimately proves is a consistent inconsistency in our industry: many retailers simply don't know what the role of their associates is OR should be. Is it to help? Is it to get out of the way? As of the time of this report's publishing, it would appear that it doesn't just matter who is asked, but also what time of day that person might be asked.

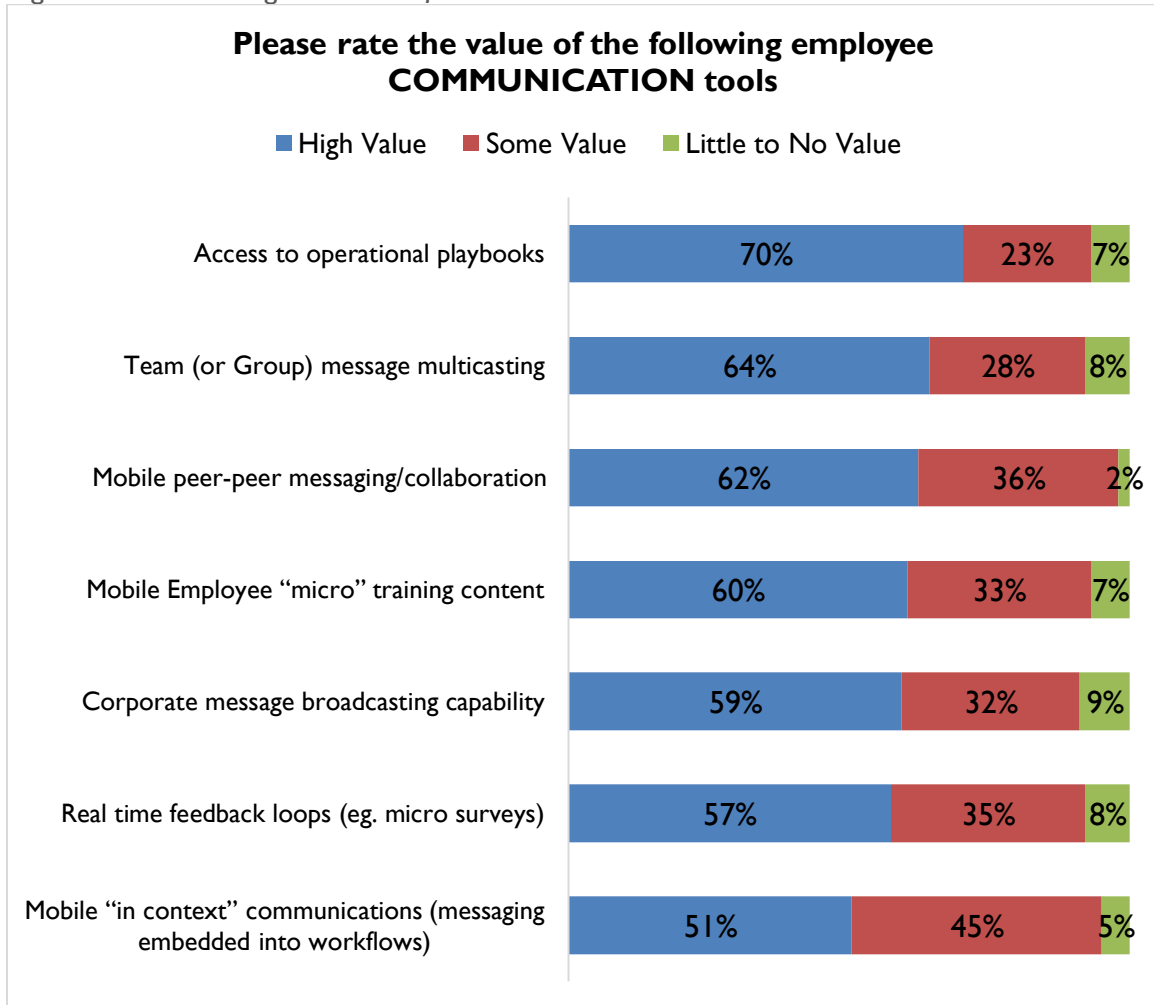
For now, the safest bet is to get as many consumer-grade technologies into the hands of employees as possible to help their chances of being competitive. These tools are cheap, easily understood - requiring little training - and effective. Whether they are used for associates to engage curious shoppers are simply to facilitate self-checkout varies from one brand to another, and appears to be secondary to a larger goal: just get them into stores and figure out their best use case.

This is counter intuitive to nearly every other initiative retailers currently face. Theirs has long been a model where technology is only implemented once its use case has been clearly defined. Mobile devices have completely bucked that trend.

Something We Can All Agree Upon

Every retailer – regardless of where they sell or how they are performing – thinks it is valuable for the left hand to know that the right hand is doing. The value of an interconnected workforce cannot be overstated (Figure 22).

Figure 22: The High Value Of An Interconnected Team



Source: RSR Research, May 2023

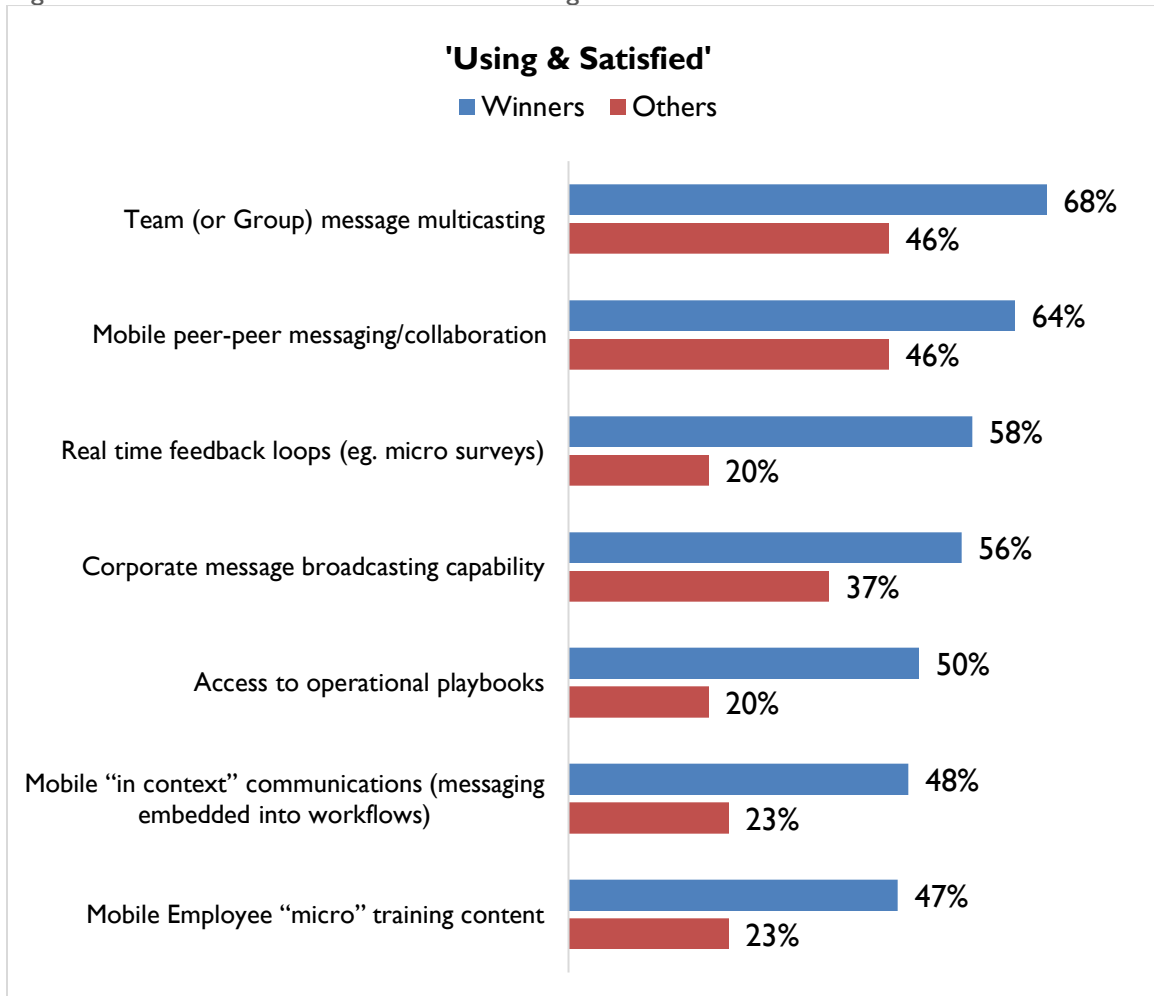
We are genuinely encouraged to see our retailer respondents' appetites for a better connected workforce, but only once we look at this same data through the lens of sales performance does the full picture come into view.

At This For Longer

Winners have understood the value of an interconnected team for far longer. Overperformers have made inroads in multicasting, in peer-to-peer messaging tools – even in the ability for corporate to message the brand better to employees.

At a time when workers can pick and choose who they'd like to have as an employer – this is a big deal. Working for a well-oiled machine that clearly messages – not only to its shoppers, but also to its employees – what it stands for, how it operates, how much it stands behind its associates and what is expected of those workers can very well be the deciding factor between an employee who likes their job, and one who simply elects to stop showing up. With such a high cost for turnover in the current market, Figure 23 is nothing short of a window into best practice behavior.

Figure 23: Winners Much Further Along



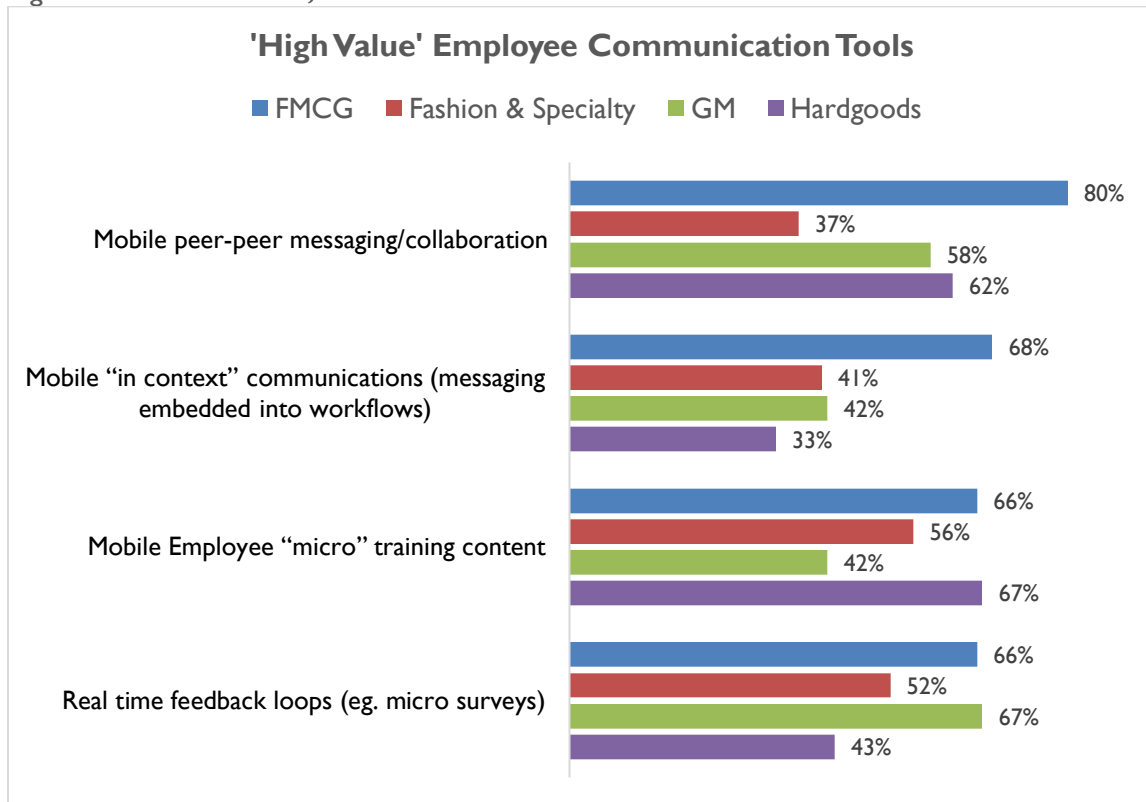
Source: RSR Research, May 2023

A Final Note About Grocery

Earlier in this report we discussed how retailers in general, and FMCG retailers in particular, prioritize their efforts to enable employees to work more efficiently and effectively using the same technologies that are available to consumers everywhere. Grocers have experienced inordinately disruptive years. Their stores have been famously devoid of next-gen technologies for years. But

today, flush with cash and looking to leapfrog, the question has thusly become, *which tools top this list of grocers' wish list?*

Figure 24: For FMCG, Associate Communication Tools Hold Power



Source: RSR Research, May 2023

Figure 24 shows that it's not just one: FMCG retailers lead the way in their interest for *multiple* employee communication tools. For grocers, getting associates from various parts of the store to have access to the same information, the same training modules – *and to one another* – is a key component for how they plan to prepare their stores for whatever the future may hold.

What a fascinating time to be in retail. Based on all we've seen, let's now share some baseline recommendations for ALL retailers to bear in mind.

BOOTstrap Recommendations

It's hard to overstate how much change the world has experienced – not just in how buying and selling take place, but at nearly every point of societal interaction – in the past few years. The results of this transformation can clearly be seen in the retail environment, particularly in stores. Employees are hard to find, younger workers are culturally more diverse, and prospective staff members have certain expectations related to technology enablement (and consumers have similar expectations). There's also a great deal of uncertainty about what the future store experience will and should be. Retailers are challenged to address all these issues at the same time.

To help retailers address all of these challenges, we offer the following recommendations:

The Needs Of The Workforce And Modernized Store Concepts Are Interrelated

All the new omni-channel shopping behaviors that consumers have adopted in recent years create enormous pressure on brands to not only increase the productivity from the resources they do have, but also decrease labor costs at the same time. Retailers need to define their future store concepts – then build technology enablement for both employees and consumers into those concepts.

Train - And Pay - For Performance

Far more over-performing Retail Winners than average and under-performers believe that a well-trained and fairly compensated workforce reduces turnover, which both saves money in the long run and improves sales-per-employee. This is the essence of viewing employees as assets, not expenses.

Automate The Store Wherever Possible

Retailers spend too much time executing routine tasks in stores for which consumers give them no credit. Those tasks should be automated to the extent possible, so that labor can be redirected to value-adding activities. Advancements in automation technologies are evolving at a dizzying pace, and retailers would do well to keep an open mind to tools today that may have seemed like science fiction even a few short years ago.

Employees Are Shoppers Too!

For today's consumers, access to real-time information is an expectation, not a privilege. The tech world has empowered consumers to be better shoppers; they enjoy researching products and are informed before they walk into a store. If retailers don't empower their employees with the same power as consumers have at their fingertips, they will lose those employees to someone else who does. In the current market, employees can shop for jobs just as easily as they shop for goods. Retailers who understand this are in a much better chance to attract the best talent.

Younger Employees Have Great Expectations

According to polling organization Gallup, younger workers rate prospective employers according to these criteria:

- Does the employer emphasize employee well-being?
- Does the employer's onboarding program address ethics in a meaningful way?
- How transparent and open is management in their communications to the workforce?

- Does the employer's advancement and promotion program address diversity and inclusion?

Retailers need to have answers to these questions and be able to “walk the talk” with policies and programs that encourage corporate transparency, ethical and inclusive workplace practices, and career growth potential.

Be Flexible

RSR's research reveals that approximately one-half of the retailers surveyed allow employees to swap schedules, offer flexible scheduling, and encourage part-time work. Prospective employees are looking for greater work flexibility to achieve a better work/life balance. There's no reason for the 50% of retailers who don't offer flexible options not to do so.

Encourage Greater Communication With Mobile Technology

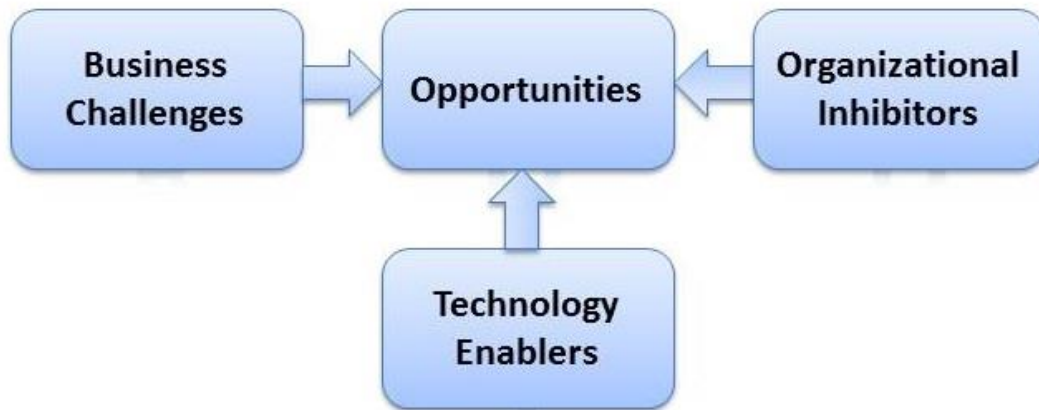
In today's world, people interact and collaborate with each other via consumer-grade mobile technologies. They share weblinks, pictures, and videos to help each other out both in their jobs and in their personal lives. These behaviors offer retailers the perfect opportunity to not only encourage employees to share knowledge, but for managers to communicate with work teams, and the head office to communicate business objectives. An added bonus of such environments? Companies who embrace this reality can then analyze corporate, team, and peer-to-peer communications, enabling leaders to better understand what's working and what's not in the work environment, and to respond accordingly. It's a win all around.

Appendix A: The BOOT Methodology[®]

The BOOT Methodology[®] is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and “also-rans.”** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT Methodology[®] follows:



Appendix B: About Our Sponsor



YOOBIC is an all-in-one Frontline Employee Experience Platform. Our mobile app gives business leaders and frontline teams the performance tools they need to communicate, learn, and work - all in one place. With streamlined communications, mobile learning, and digitized task management, YOOBIC drives operational excellence while drastically improving the frontline employee working experience. 350+ companies around the world including Gamestop, Mattress Firm, Boots, BurgerFi, Lacoste, Aeropostale, Logitech, Peloton, Puma, and Vans trust YOOBIC to improve operational consistency and agility, get real-time visibility into multi-location business execution, and improve their customer experience.

For more information, [visit our website](#).



Appendix C: About Our Partner



The Global Consumer Commerce Centre

IORMA (the International Omni Research Markets Association) is a Foresight Research Organisation concerned with future trends in Global Consumer Commerce and the impacts of evolving disruptive technologies.

IORMA provides a range of services to assist organizations, businesses, governments and academia in preparing for the future (and avoiding surprises). It is a “beacon of future positive hope”, identifying the accelerating and evolutionary future fusion of global advanced technology with global humanity - and all the positive hope that brings to humanity for a progressively better New World. To learn more, visit <https://iorma.com/>.

Appendix D: About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.

Copyright© by Retail Systems Research LLC • All rights reserved.
No part of the contents of this document may be reproduced or transmitted in any form or by any means without the permission of the publisher. Contact research@rsresearch.com for more information.