

Unlocking Retail Profitability: Transforming a Cost Crisis into a Competitive Edge

UK Budget Impacts and Mitigation Strategies





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Introduction

Survival within UK retail has never been more expensive. With operating costs surging and customer expectations higher than ever, retailers are clearly striving to unlock efficiency gains for long-term viability. As we enter a defining period of transformation, businesses are contending with rapid technological advancement with AI generating significant interest. Faced with a £5.6bn increase in operating costs for 2025/26 (driven by wage hikes, higher National Insurance Contributions (NIC) and rising business rates), retail brands face continued pressure to revamp their efficiency and productivity strategies to safeguard profitability.

This report explores how frontline retail operations – the workforce, technology, and processes that underpin the retail experience – can be optimised to mitigate cost pressures while enhancing customer engagement. Using insights from a survey of UK retailers (turnover between £10m and £5bn), the report identifies key challenges, investment priorities, and strategic responses shaping the industry in 2025 and beyond.

The findings reveal that while retailers are actively pursuing cost mitigation strategies, there is no single solution to balancing rising expenses with long-term growth. Instead, businesses are leveraging a combination of pricing adjustments, operational efficiencies, and transformation to maintain competitiveness.

The retailers that will emerge strongest from this period of change will be those that embrace operational agility, invest in technology-enabled workforce solutions, and prioritise productivity as a strategic advantage. As cost pressures mount, operational excellence is no longer optional – it is essential for survival and growth.

The report is structured into four sections:

- 1** The five pillars of frontline retail operations: A deep dive into the core operational pillars that drive productivity, mapped across the customer journey.
- 2** The triple cost shock facing UK retailers in 2025/26: Quantifying the financial impact of the Budget and exploring how retailers are adapting to it.
- 3** Navigating rising costs against weak growth: Examining how retailers are balancing price increases, cost optimisation, and absorbing costs, alongside the evolving role of physical stores in a high-cost landscape.
- 4** The future of frontline retail operations: Exploring how AI, automation, and workforce empowerment are reshaping the next generation of frontline retail.

Section 1

The five pillars of frontline retail operations

1.1 Retailers face a high-cost future – frontline operations hold the key to efficiency

Retail is undergoing a period of profound transformation, shaped by shifting consumer expectations, digital disruption, and the need for greater operational efficiency.

From April 2025, UK retailers are operating in a significantly higher cost environment, with increases in National Insurance contributions, business rates, and minimum wages driving up expenses. These cost pressures threaten investment in frontline operations – an area too often viewed as a cost centre rather than a strategic lever for efficiency and competitive advantage.

Yet, as competition intensifies, consumer expectations rise, and margins tighten, frontline operational excellence has never been more critical. Retailers that invest strategically in their frontline teams can ensure that every pound spent delivers measurable gains in efficiency, customer experience, and workforce productivity.

£5.6bn

The expected increase in operating costs for the UK retail industry in 2025/26



1.2 The YOOBIC Frontline Retail Excellence Model (YFREM)

To better navigate operational challenges, retailers need a clear framework that links frontline investments to tangible business benefits. The YOOBIC Frontline Retail Excellence Model (YFREM) provides a framework to help retailers rethink how they optimise frontline operations to drive efficiency, boost workforce productivity, and improve customer experience in a high-cost environment.

YFREM identifies five key pillars of frontline operational excellence:

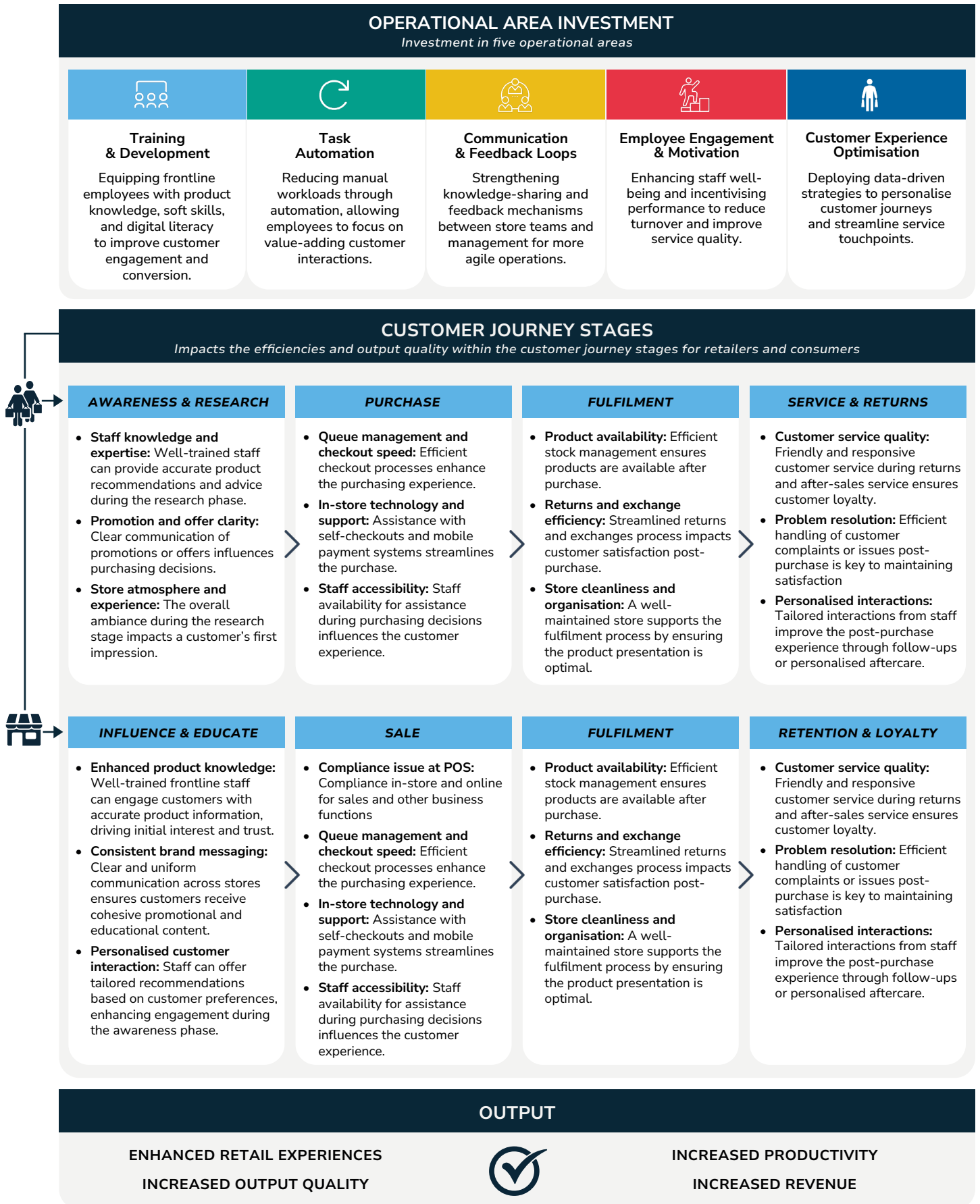
1. Training & Development
2. Task Automation
3. Communication & Feedback Loops
4. Employee Engagement & Motivation
5. Customer Experience Optimisation

These pillars align across the key stages of the customer journey, ensuring operational investments translate into tangible customer benefits – from initial brand awareness to post-purchase service and loyalty.

By embedding frontline operational excellence into these touchpoints, retailers can directly connect internal efficiencies to external impact, reinforcing the critical role of the frontline workforce in driving both profitability and customer satisfaction.



Figure 1: The YOOBIC Frontline Retail Excellence Model (YFREM)



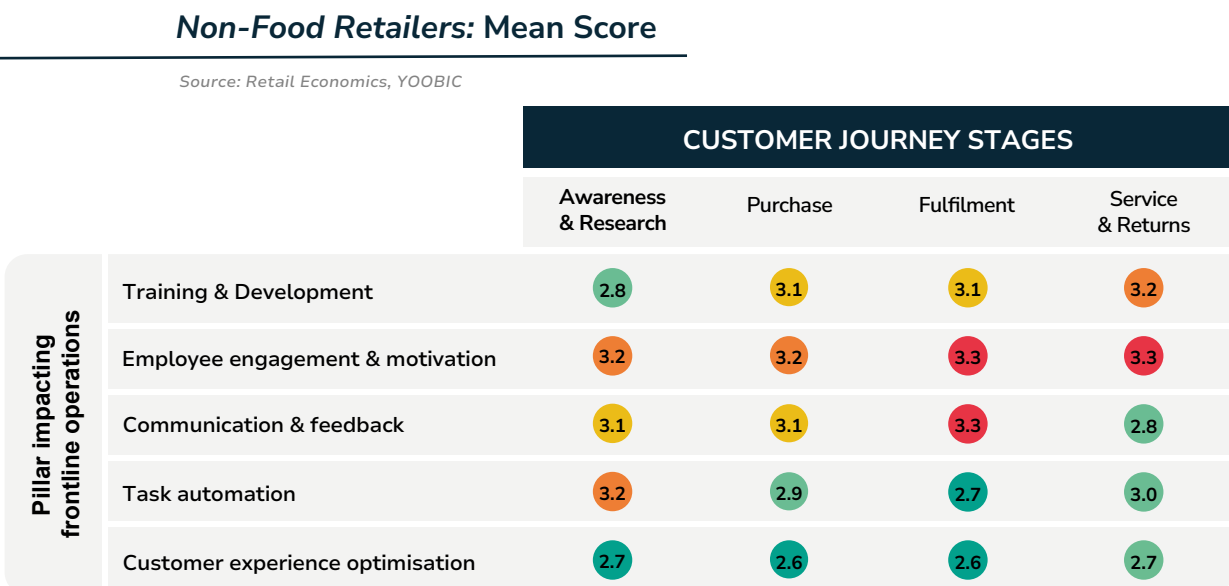
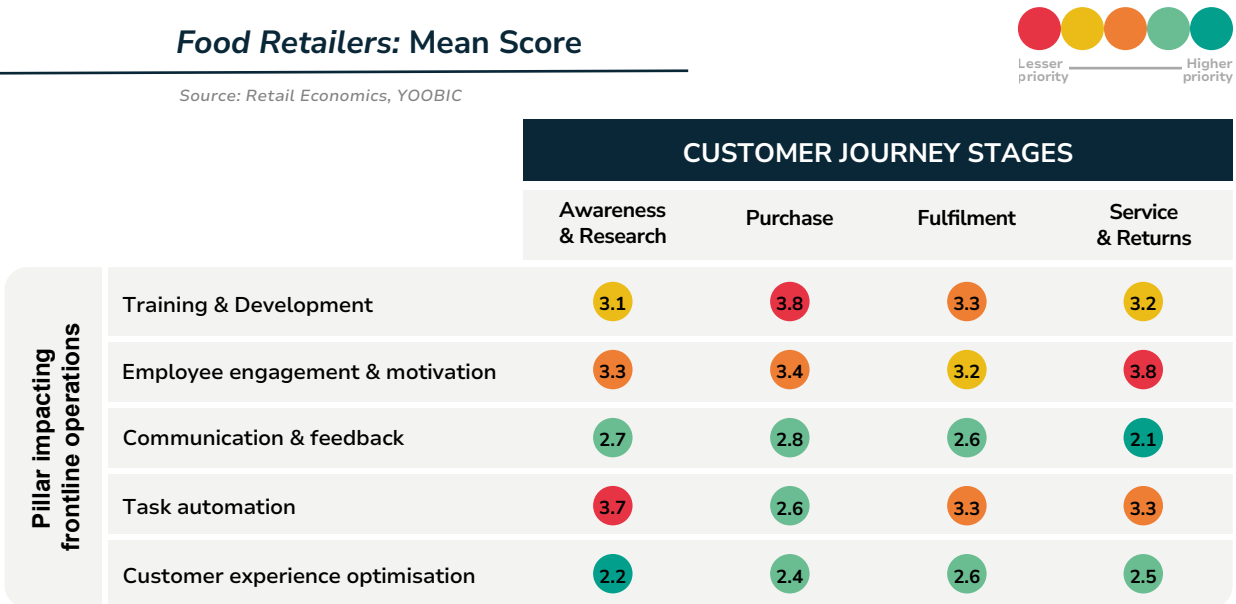
Source: Retail Economics, YOOBIC

1.3 How retailers are prioritising frontline operations in a high-cost environment

Through the YFREM model, retailers can map how different frontline investments influence each journey stage, ensuring a structured approach to operational excellence.

Our survey of 100 UK food and non-food retailers validates the importance of the five pillars but also reveals that not all retailers prioritise them equally. There’s no ‘one-size-fits-all’ approach to frontline investment. Instead, retailers must align their operational strategies with the areas that have the greatest customer and commercial impact.

Figure 2: The importance of investment in operations varies by customer journey stage and retail category – priority scores



Key insights from our priority analysis

Food and non-food retailers diverge in their operational focus, based on product characteristics, purchasing behaviours, and customer expectations.

Awareness & Research

- Non-food retailers place the greatest emphasis on Training & Development at this stage.
- Customers making high-value, infrequent purchases (e.g. electronics, home goods, fashion) expect knowledgeable staff who can provide detailed product guidance. In contrast, food purchases are often habitual and price-driven, requiring less consultative engagement.

Purchase

- The importance of Employee Engagement & Motivation peaks during the purchase stage, especially in non-food retail.
- Well-trained, motivated staff can boost conversion rates and reduce basket abandonment.

Fulfilment

- Despite intense competition, Non-food retailers place lower priority on fulfilment than food retailers that prioritise freshness, perishability, and rapid turnover. For Non-food players, there's an opportunity to differentiate by optimising fulfilment against rising consumer expectations and growing international competition to strengthen loyalty.
- Task automation plays a significant role in streamlining inventory replenishment, stock management, and delivery logistics.

Service & Returns

- Customer expectations for frictionless, convenient returns are shaping investment in customer experience optimisation and communication loops.
- Non-food retailers, particularly in apparel and electronics, are investing in seamless omnichannel returns processes to retain customers post-purchase.

These sectoral differences emphasise the need for tailored frontline strategies. For food retailers, investing in fulfilment and automation ensures reliability and consistency. For non-food retailers, prioritising training, employee engagement, and communication enhances conversion and customer confidence.

Despite clear operational priorities, the high-cost environment threatens retailers' ability to invest in frontline teams. Our research highlights key tensions:

- Non-food retailers are more reliant on highly trained staff to drive conversion, yet training budgets are often the first to be cut in a cost-reduction environment.
- Food retailers need robust fulfilment infrastructure to manage high inventory turnover, yet wage increases and automation costs are squeezing operational budgets.
- Task automation is an underutilised lever – despite its ability to reduce inefficiencies, many retailers struggle with upfront implementation costs.

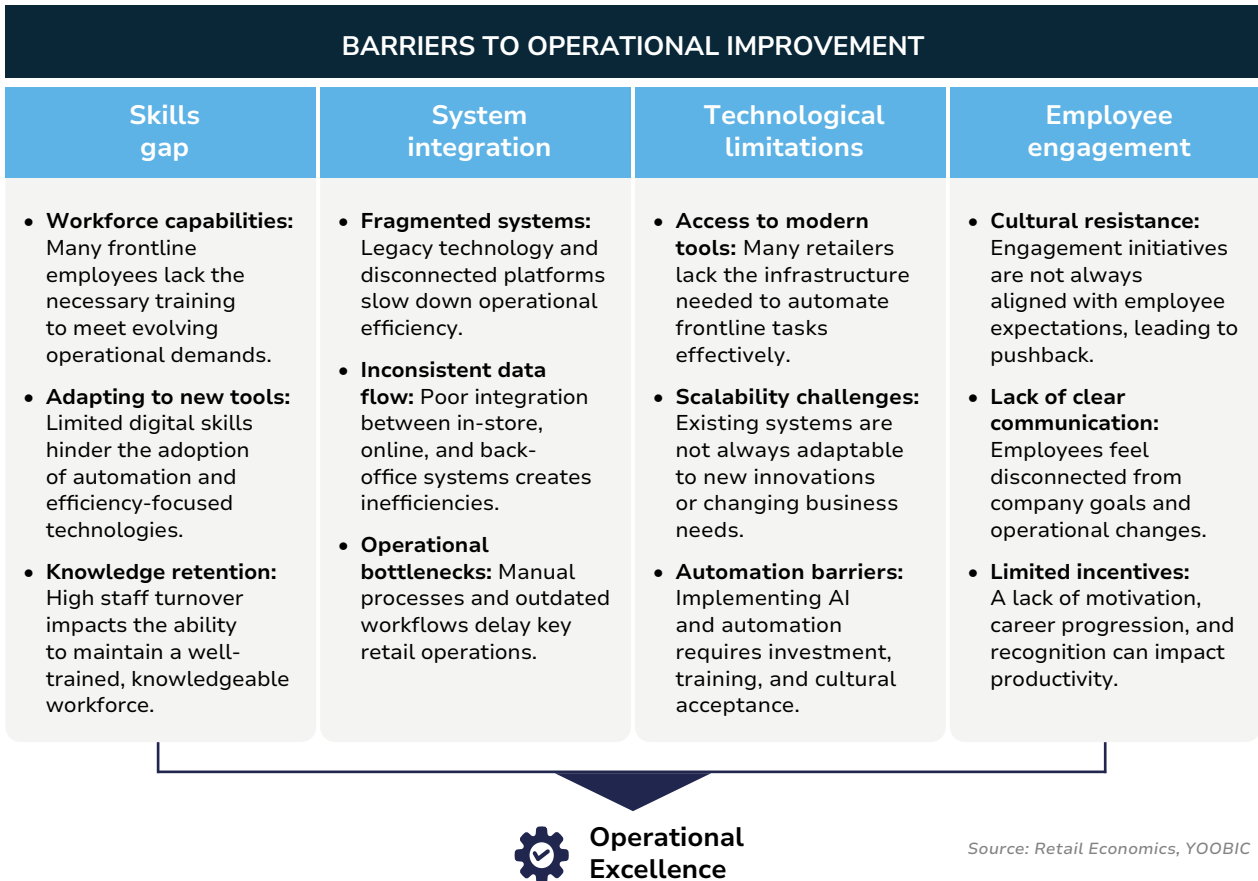
However, retailers that prioritise the right investments – focusing on efficiency gains without compromising customer experience – will be best positioned for success.

1.4 Barriers to operational improvement

Although the YFREM model (section 1.2) provides a useful roadmap, retailers face significant challenges to either starting or further investing in the improvement of operations across frontline areas.

Our research highlights the key barriers that hinder progress in frontline operations (Fig. 3)

Figure 3: Retailers' barriers to operational improvement



Delving deeper into specific operational areas, we can see that lack of skills and training, and integration with existing systems are significant challenges for retailers (Fig. 4).

Figure 4: Barriers to improvement vary by operational area

Question: Where do you think the biggest challenges are for your business to either start or further invest in improving operations?

	OPERATIONAL AREAS				
	Training & Development	Engagement & Motivation	Communication & Feedback Loops	Task Automation	Customer Experience Optimisation
LACK OF SKILLS/TRAINING <i>Teams lack the expertise to deliver effectively in this area.</i>	21%	25%	22%	28%	23%
INTEGRATION WITH EXISTING SYSTEMS OR WAYS OF WORKING <i>Difficulty in aligning new programs with existing ways of working.</i>	25%	18%	27%	18%	24%
CULTURAL RESISTANCE <i>Employees or teams are resistant to upskilling efforts in this area.</i>	15%	23%	18%	14%	20%
FINANCIAL CONSTRAINTS <i>Budget limitations prevent investments in new initiatives.</i>	18%	22%	18%	17%	15%
LACK OF OR OUT-OF-DATE TECHNOLOGY <i>Insufficient access to platforms to support this operational area.</i>	21%	12%	15%	23%	18%

Source: Retail Economics, YOOBIC

The triple cost shock facing UK retailers in 2025/26

UK retailers are grappling a significant financial shock in 2025/26. The Autumn Budget's policy changes – ranging from higher employer NIC to an uplift in the National Minimum (NMW) and Living Wage (NLW) – has set in motion a multi-billion-pound increase in operational costs across the sector.

Figure 5: Retail industry faces a £5.6bn Budget headwind in 2025/26

	Changes in April 2025	Additional cost in 2025/26
£5.56bn Budget headwind	Employer NIC increases – Identified as the biggest financial concern by half of retailers, disproportionately affecting small and medium-sized businesses.	£2.48bn <i>(£0.62bn from the rate increase to 15%, and £1.86bn the threshold reduction)</i>
	Rising wage costs – NMW and NLW increases are particularly worrying for food retailers, nearly half (47%) of whom flagged this as a top concern due to their reliance on lower-wage, frontline	£2.36bn
	Business rates – A bigger concern for large retailers, who are four times more likely to cite this as a top concern compared to smaller businesses, reflecting their larger property portfolios across stores, warehouses, and distribution centres.	£0.72bn

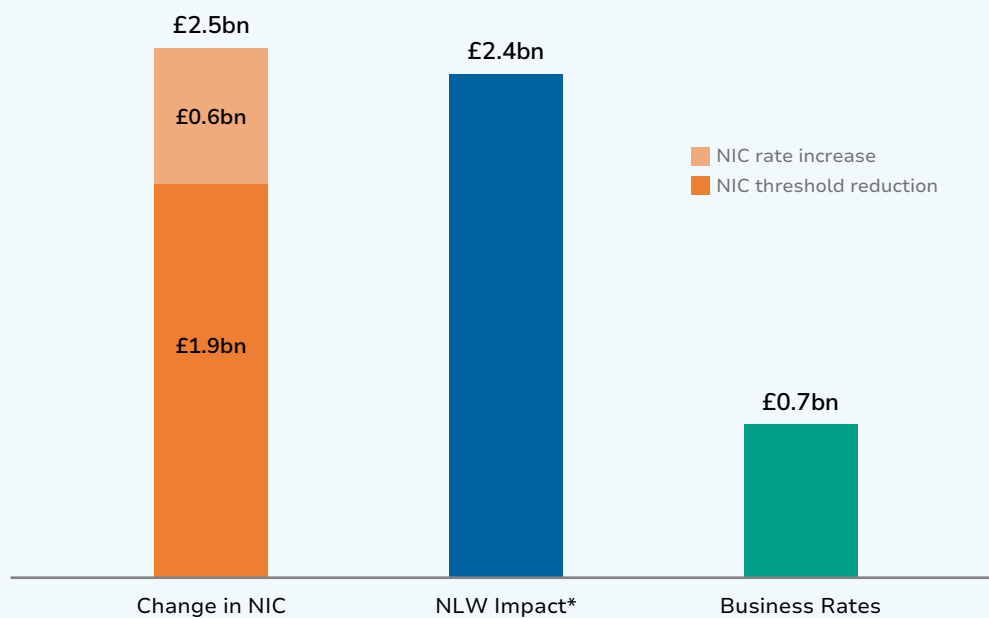
With costs set to rise, most retailers have taken proactive steps to assess the financial impact – 89% of businesses have calculated the potential burden and are planning mitigation strategies.

Retail brands face specific challenges around balancing rising cost pressures from frontline operations with the need to invest in technology, workforce efficiency, and operational excellence. The risk of failing to act intelligently means falling behind.

Our findings show that:

- **Total additional costs facing UK retailers are expected to rise by £5.56bn in 2025/26** compared with the previous year, driven by higher wage bills, business rates, and tax contributions.
- **Retailers need to mitigate these costs**, including finding efficiency savings if they are to avoid price increases, a hit to profit, and cost-cutting measures such as reducing store hours, staff numbers, or operational investment.
- **Large businesses benefit from economies of scale**, allowing them to absorb some cost increases, whereas small businesses have more flexible cost structures, enabling agility in response to changing conditions.
- **Retailers must ultimately prioritise efficiency and productivity gains** to navigate this cost-heavy environment in order to maintain service levels and competitiveness.

Figure 6: Retail industry faces a £5.6bn Budget headwind in 2025/26



*Accounts changes to NLW and changes to NMW

Source: Retail Economics, YOOBIC

Interview with Paul Rowland

Retail & Technology Director at Home Bargains



From one store in Liverpool, Home Bargains has become a national retailer and one of the fastest-growing companies in the UK. The company now boasts over 600 stores and employs more than 27,000 colleagues, making it the largest employer on Merseyside and the largest privately-owned retailer in the UK. The company intends to continue its rapid growth and has ambitious expansion plans, aiming to grow to 1,000 stores, employing over 40,000 staff.

We spoke to Home Bargains' Retail & Technology Director Paul Rowland to find out more about how it is navigating the new fiscal backdrop and leveraging new productivity tools.

Where do you feel the biggest Budget impacts are coming from in 2025/26?

“As a discount retailer, if you’re going to be driving on price, you must have cost control at an optimum level. Culturally our business is well placed for that from our founding days to now, as good cost control and a good efficiency focus drive an ability to sell top brands at bottom prices.

“What every retailer is facing is that the scale of the challenge was bigger than anticipated. We try to look at a two-to-three-year horizon to implement ‘operate for less’ initiatives. We’re constantly looking at not just technology, but ways of working to make us more efficient across the business.

“What’s been challenging about this Budget is the changes to employer National Insurance Contributions which were bigger than anticipated. We’ve got enough initiatives to cover it without impacting prices, but challenges lie in the pace of being able to deploy them versus the development curve. It includes having to accelerate plans around artificial intelligence and automation.”

How do you ensure cost-saving initiatives do not impact the customer experience in a negative way?

“It starts with having an ear to the ground. Firstly, you’ve got to be in the shops, including everyone across the boardroom. You have to keep seeing what the customer sees. Also, listen to the store teams as they’re close to it.

“Secondly, we get close to every single complaint the business receives. If you’re striving to be an efficient business, you’ve got to have a laser focus on the unintended consequences of cost-cutting decisions, especially through Proof Of Concept and trials. I obsess when we do make changes by asking: How is the customer going to feel about this and how will it affect our teams? That way we keep ourselves on our toes to ensure we deliver what we want to without un-intended consequences.”

What innovations have you brought in to enhance efficiency as well as customer satisfaction?

“Firstly, we were lacking visibility over the execution of short-term tactics that impact

frontline workers as we had no task systems to see how well we had implemented. Secondly, our engagement with colleagues was difficult as we had limited ways to message stores, so it was reliant on local field management to be able to inspire and energise colleagues. Also, there was a significant amount of wastage of hours in managing manual and paper-based processes of essential, routine compliance procedures.

“We were looking to be more efficient in completing and executing tasks, whilst we also wanted to dial up engagement. When trying to do that you have to be balanced as the risk is when you introduce new retail technology you can end up making life more complicated for our store managers; so rather than working with multiple providers, we prefer a solution that joins up multiple platforms or applications on one platform.

“For us, implementing Yoobic to allow us to manage tasks for the frontline on one live platform was a slam dunk. It gives us better visibility of who has and hasn't completed tasks. That includes compliance – with colleagues able to complete routine tasks such as daily temperature checks, health and safety checks and food safety checks all from the same handheld device. It gives us the ability to talk to people better in terms of company news and initiatives. And it allows us to get people socialising in communities. All this leads to a more engaged group of people that will give better service.

“For us it's brought simplicity, engagement, and better compliance, which drives efficiency. In terms of return on investment. Taking the hours spent on manual paper-based processes out of stores pays for the platform alone.”

Where do you see the industry and retail technology evolving over the next five years?

“I guess there are numerous ways things will change but what is clear is Technology will play a bigger and bigger role in providing solutions as Labour continues to be more expensive and Tech

arguably becomes cheaper or more viable as ROIs improves.

I left NRF in New York this year excited about all the developments we saw but it was a people focus that was at the front of my mind. We need to help our teams embrace technology solutions and teach them in a way that is simple and engaging. The best implementations we have are when a well-developed solution is simple and easy to use and we've trained and engaged our team well. I think we all need to recognise the risk of complication for stores as we layer in more tech, we need to focus on simplicity and coaching.



One of the bigger changes I see is the need for 'One-touch retail' – ensuring streamlined and simplified operations supported by technology.”

“One of the bigger changes I see is the need for “One-touch retail” – ensuring streamlined and simplified operations supported by technology. Ultimately there's inefficiency in moving boxes across stores and warehouses, fundamentally the holy grail is stock management that supports 'right stock, in the right shop, at the right time', with an objective to have one-way stock. Technology will continue to play a major role in driving efficiency in the end-to-end supply chain, from ERP solutions through warehouse automation and into SCOs and Digital SELs in store. A real Kaizen approach is required.

“Artificial intelligence is already playing a part and I only see that developing going forward, but fundamentally it needs the leaders of businesses to pick the right solutions that need to be simple and intuitive. Then engage people to utilise technology as it should be.”

Section 3

Navigating rising costs against weak growth

3.1 Cost mitigation strategies

In 2025/26, retailers are using a range of different measures to help mitigate the impact of rising costs against a weak economic backdrop.

To understand how they are responding to cost pressures, we asked them to allocate their expected mitigation strategies based on their increase in operating costs from April 2025.

The responses (Fig. 7) reflect how businesses intend to distribute their cost-reduction efforts across three primary levers:

37.4%

Cost Optimisation

£2.08bn of cost savings

Investing in operational efficiency, automation, and restructuring to mitigate rising costs without eroding margins.

31.6%

Absorbing Costs

£1.76bn hit to pre-tax profits

Accepting a margin hit rather than passing costs onto customers.

31.0%

Price Increases

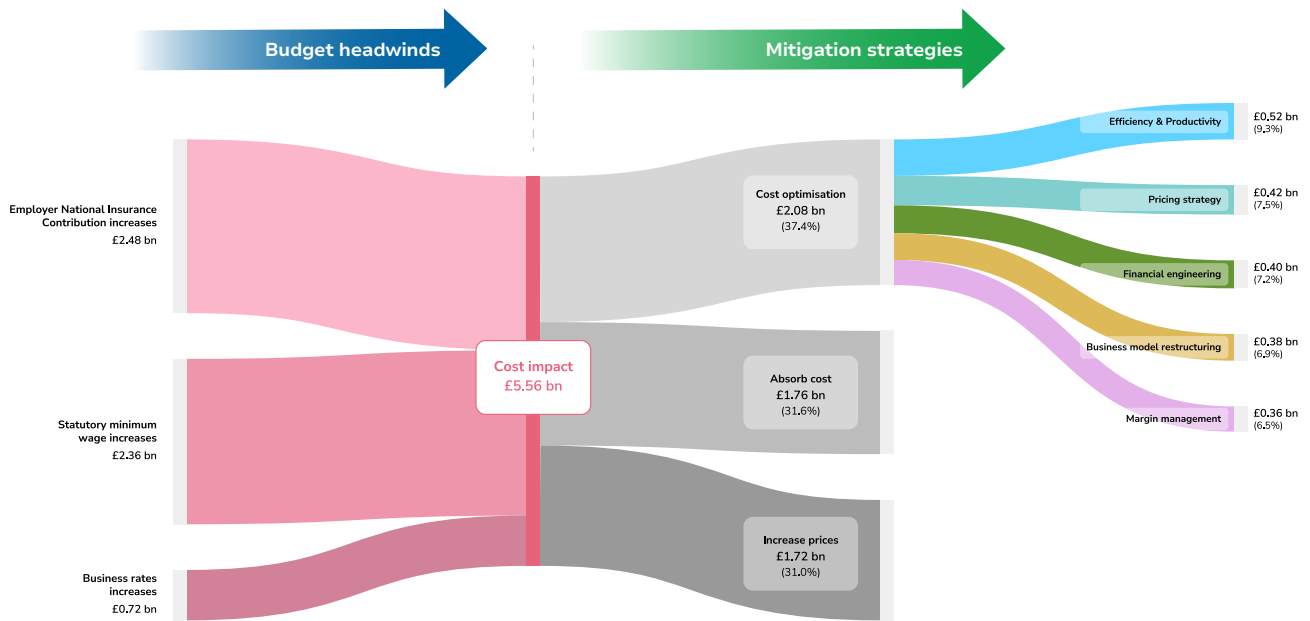
£1.72bn passed onto consumers

Adjusting pricing strategies to offset rising expenses, although retailers remain cautious due to consumer price sensitivity.



Figure 7: Higher costs are putting pressure on prices, profitability and driving efficiency

Question: Thinking about your scenario in which an increase in operating costs is expected to impact your business from April 2025, please indicate how your organisation would allocate the following tactics to mitigate the impact, and how your organisation would allocate the proportion of your cost optimisation efforts across the five cost optimisation areas?



Source: Retail Economics, YOOBIC

Pricing strategy and cost absorption

The results show retailers remain cautious about increasing their prices, allocating just 31.0% of efforts using this tactic, with £1.7bn of costs being passed onto consumers. Online retailers, in particular, are hesitant due to high price transparency, while store-based retailers (especially smaller ones) are more likely to adjust pricing with localised strategies.

Absorbing costs remains a necessary tactic for many, with an average 31.6% allocation. This represents a reduction in pre-tax profit of £1.76bn in 2025/26, marking a 6.7% drop in industry profits year-on-year. Large retailers are more likely to absorb costs, leveraging their financial strength, whereas small retailers prioritise cost optimisation, adopting agile operational improvements instead.

£1.76bn

Reduction in pre-tax profits will hit UK retailers by accepting a margin hit rather than passing costs onto customers.

3.2 Cost optimisation: The preferred strategy

Retailers are **prioritising cost optimisation** as they navigate rising operational pressures, with 37.4% of cost-saving efforts focused on improving efficiency and productivity to save £2.08bn in 2025/26. However, there is no single solution – businesses are deploying a mix of five core strategies to maintain profitability:

1. **Efficiency and productivity** – Process automation, digital transformation, and workforce optimisation.
2. **Pricing strategy** – Smarter promotions and margin mix optimisation.
3. **Financial engineering** – Improved working capital management and stronger supplier negotiations.
4. **Business model restructuring** – Store portfolio rationalisation and asset monetisation.
5. **Margin management** – Strategic discounting and markdown optimisation.

Among these strategies, supply chain optimisation (39.0%) has emerged as the top priority, reflecting a sector-wide push to build leaner, more resilient supply chains. Financial engineering, including working capital management (38.0%), is also a critical focus, as retailers seek to preserve cash flow in a high-cost environment.

At the same time, pricing strategies are being actively reassessed, with one in three retailers adjusting their approach to offset cost pressures. This highlights the importance of balancing margin protection with competitive pricing, ensuring businesses can retain customers while safeguarding profitability.

37.4%

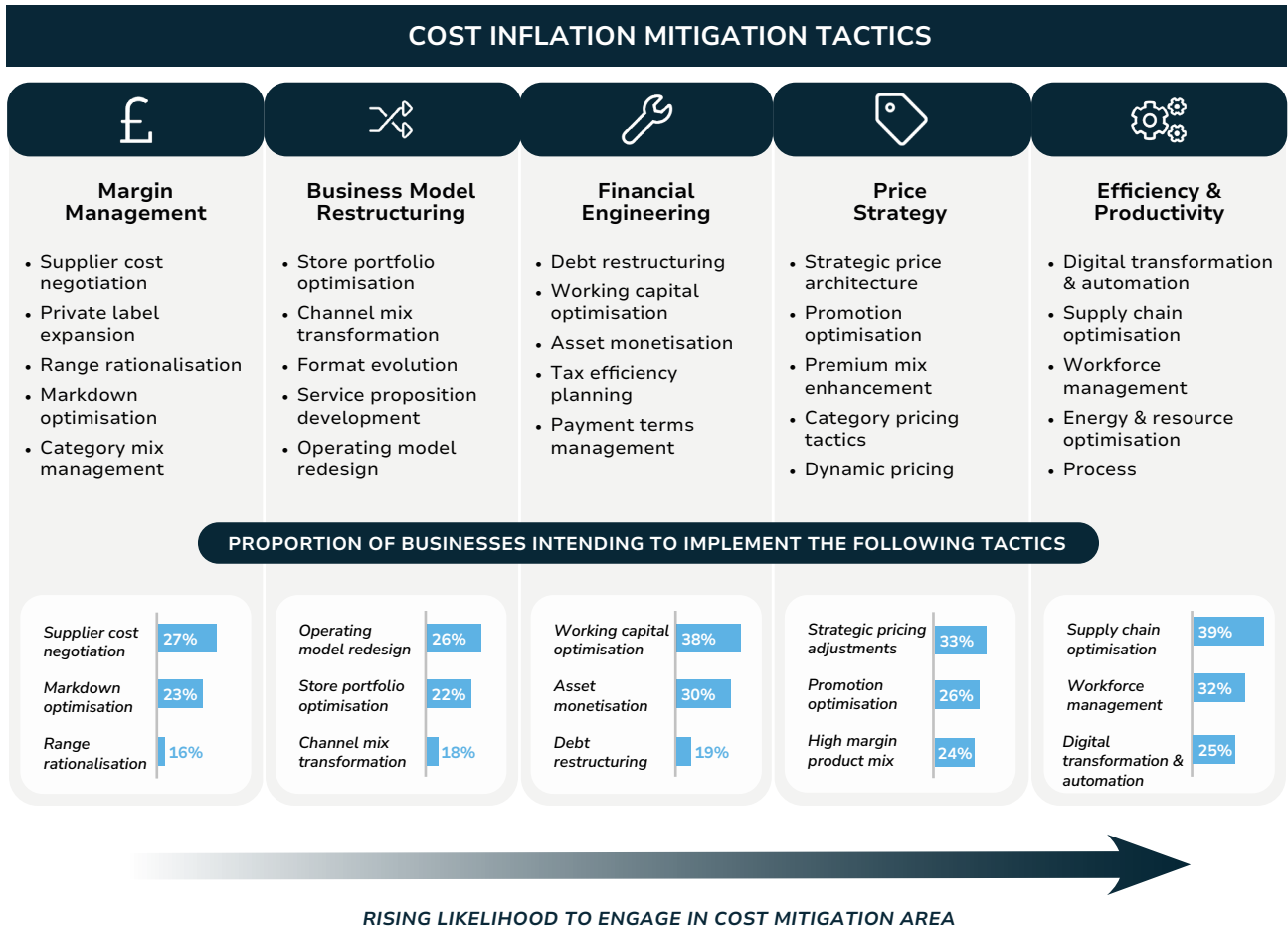
of cost-saving efforts

are focused on improving efficiency and margin management



Figure 8: The five tactical pillars of cost optimisation

Question: Does your organisation intend to implement any of the following measures to manage rising operating costs from April 2025?



Source: Retail Economics, YOOBIC

3.3 The impact on stores and store closures

As retailers navigate the cost pressures of 2025, store portfolio optimisation has become a critical area of focus, with more than a fifth (22.0%) of retailers intending to implement this tactic. The decisions businesses make over their physical footprint serves as a critical visual indicator of high street health. Against a backdrop of shifting consumer behaviours, evolving omnichannel strategies, and rising operational costs, retailers are reassessing their store networks with a mix of geographic rebalancing, format transformation, and closures.

As cost pressures mount, store closures and consolidations will be a defining trend in 2025. However, the data suggests that retailers are not simply exiting physical retail – rather, retailers are deploying a range of store optimisation strategies to mitigate financial pressures.

The top approaches include:

- 1. Relocating stores (16% of retailers)** – Aligning store locations with shifting customer demand and footfall patterns.
- 2. Reducing store size (14%)** – Adjusting store formats to improve efficiency and productivity.
- 3. Merging stores (14%)** – Combining multiple stores into a single, larger location to optimise operations (i.e. reducing store count while maintaining overall selling space).
- 4. Revamping store layouts (13%)** – Redesigning stores to align with evolving customer expectations, often integrating digital and experiential elements.
- 5. Closing stores (7%)** – Exiting underperforming locations where cost pressures outweigh profitability potential, with non-food retailers more affected than food retailers.
- 6. Lease negotiations (6.0%)** – Ranks the lowest, as retailers see more immediate value in operational changes rather than attempting to negotiate rental terms.

Store optimisation – A disproportionate impact on non-food retailers

Our analysis reveals that 22% of retailers are implementing store optimisation strategies in 2025/26. Here, store optimisation efforts are skewed towards non-food retailers, reflecting their greater exposure to discretionary spending volatility.

Following an 18-month hit to consumer disposable incomes, household discretionary spending remains subdued, impacting categories such as fashion, home goods, and electronics. In contrast, essential food purchases provide a more resilient buffer for grocery retailers, reducing the need for widespread store closures.

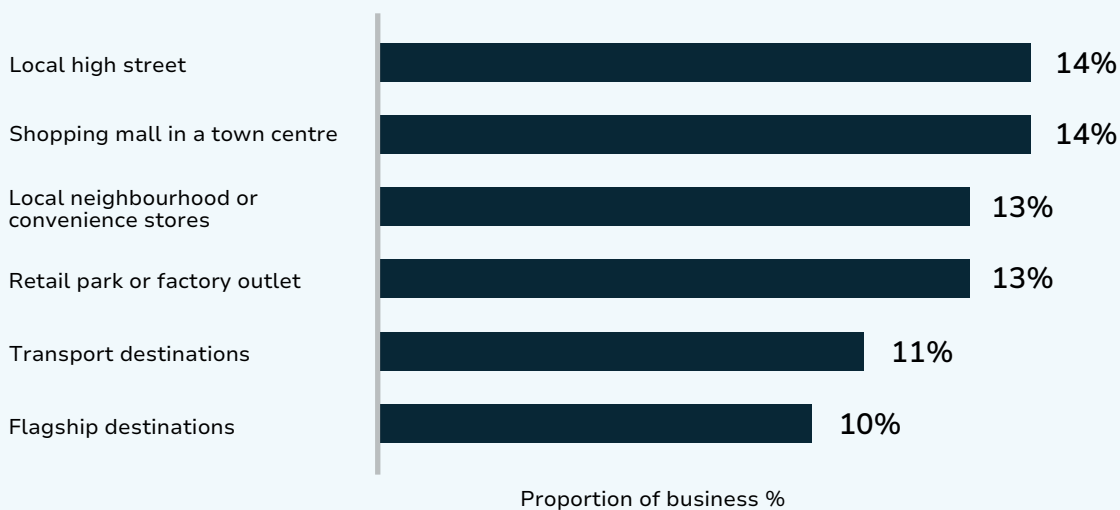
Smaller and medium-sized businesses are under greater pressure to optimise their store networks compared to larger retailers. Larger businesses that benefit from stronger balance sheets and favourable rental agreements (as anchor tenants) are in a more defensive position. This allows them to maintain their store presence, even in challenging times.

Formats at risk of closure and consolidation

Retailers are shifting their store strategies to optimise performance, with store closure and consolidation being key tactics. Local high streets and shopping malls are most at risk, with 14% of businesses planning closures, consolidations or relocations in these formats.

Figure 9: Formats at risk of closure and consolidation in 2025/26

Question: Indicate which store formats are at risk of closure and/or consolidation.



Source: Retail Economics, YOOBIC

3.4 Balancing cost reduction and productivity

When considering cost mitigation tactics, retailers are evaluating cost-saving initiatives across two key dimensions: their productivity impact (how much efficiency they can gain, and cost reduction effectiveness (how much direct financial relief they provide).

Our **Cost-Productivity Matrix analysis** (Fig. 10) shows that:

- **Working capital optimisation** ranks highest in both productivity and cost reduction. Retailers are focusing on improving cash flow management through better inventory control, debt restructuring, and financial planning.
- **Supply chain optimisation** is seen as essential for cost reduction but has a lower productivity ranking. While investing in leaner supply chains helps reduce costs, it remains operationally complex and requires long-term transformation.
- **Asset monetisation** is a priority for cost reduction. Some retailers are leveraging their property portfolios, selling underutilised assets, or refinancing to increase liquidity.

- **Store portfolio optimisation** emerges as a high-productivity play. Retailers are right-sizing their physical footprints, consolidating locations, and optimising store formats to drive efficiency. However, these measures are costly in the short term due to restructuring expenses.
- **Supplier cost negotiation** is ranked lowest for both cost and productivity impact. This reflects the limited flexibility retailers have in renegotiating supplier terms amid broader inflationary pressures.

Figure 10: The Cost-Productivity Matrix



3.5 Operational focus areas for 2025/26

As UK retailers navigate the financial pressures of 2025/26, businesses must take a more strategic approach to operational productivity. The focus is on resilience, agility, and efficiency.

Our research identifies six key areas where retailers are focused on in the coming year:

- **Customer experience delivery** – First-time query resolution and frontline staff knowledge are top priorities for enhancing customer interactions and driving loyalty.
- **Workforce optimisation** – Streamlined onboarding and training processes are critical, particularly for large and food retailers managing high turnover.
- **Technology enablement** – Emerging technologies and advanced analytics are top priorities, especially for medium and large firms needing data-driven decision-making across multiple locations.
- **Inventory management** – Automated replenishment and supply chain integration drive productivity, particularly for large retailers looking to manage stock fluctuations efficiently.
- **Space and asset utilisation** – Large firms focus on maximising store space efficiency and repurposing existing stores to enhance omnichannel operations. Non-food retailers are more likely to consolidate or relocate underperforming stores.
- **Operational excellence** – Process automation and streamlining in-store processes rank highest. Non-food retailers place greater emphasis on interdepartmental communication for cross-channel coordination.

Figure 11: Importance ranking for each area to achieve productivity improvements in organisation in 2025/2026

Question: How important is each of the following areas to achieving productivity improvements in your organisation in 2025/26?

1 = Not important at all, 10 = Extremely important.

PRODUCTIVITY MEANS						
	Workforce optimisation <i>Improving employee productivity through effective scheduling, engagement and training</i>	Technology enablement <i>Leveraging digital tools and automation to streamline operations and improve outcomes</i>	Customer experience delivery <i>Enhancing the quality of customer interactions to boost satisfaction and loyalty</i>	Operational excellence <i>Streamlining processes to achieve consistent and efficient execution across stores</i>	Inventory management <i>Ensuring optimal stock levels to reduce waste, prevent stockouts, and meet demand efficiently</i>	Space & asset utilisation <i>Maximising the use of physical store space and asset to improve profitability</i>
Small	8.5	8.8	8.6	8.6	8.4	7.9
Medium	8.6	8.6	8.5	8.6	8.7	8.2
Large	9.0	8.4	9.0	8.6	8.2	8.3
TOTAL	8.7	8.6	8.6	8.6	8.6	8.2

Key insights:

1. **Workforce optimisation is the highest-ranked priority overall by retailers.** Improving employee productivity through scheduling, engagement, and training is seen as the most critical driver of productivity improvements, particularly among large retailers.
2. **Technology enablement is a key driver of productivity improvements.** Small retailers rate this the highest, as they rely on digital tools and automation to drive efficiencies. By comparison, large retailers rank it slightly lower, reflecting more mature tech adoption.
3. **Large players most recognise the role of high-quality customer interactions** in driving loyalty and long-term profitability, putting a strategic focus on frontline staff training and service optimisation.
4. **Medium retailers rate inventory management the highest relative to other retailers,** reflecting their need to balance stock efficiency with cost pressures.
5. **Space and asset utilisation ranks lowest overall,** impacted by small retailers operating fewer locations and having less flexibility in optimising physical space.

As businesses weigh their investment decisions, two strategic imperatives stand out:

1. Automating operational workflows

From stock replenishment to staff scheduling, digital transformation is no longer a choice – it's a necessity.

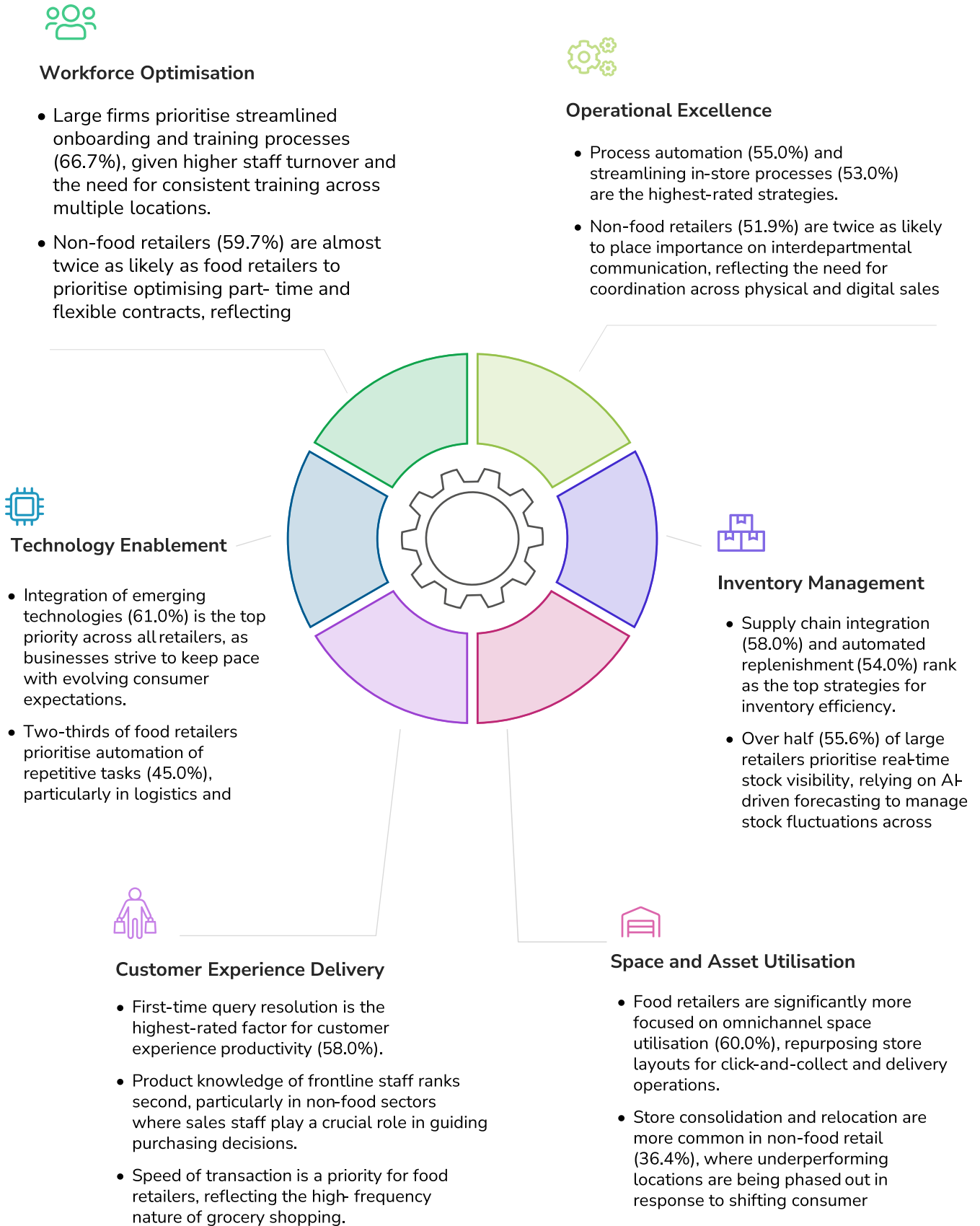
2. Optimising human capital

Employee engagement and training are core to retail success, particularly in a tight labour market with rising wage pressures.

By embedding these principles into strategic planning, retailers can create a competitive advantage in a challenging economic climate.



Figure 12: Areas retailers are prioritising to improve productivity in 2025/26



The future of frontline operations in retail

Initiatives shaping retail operations in 2025/26

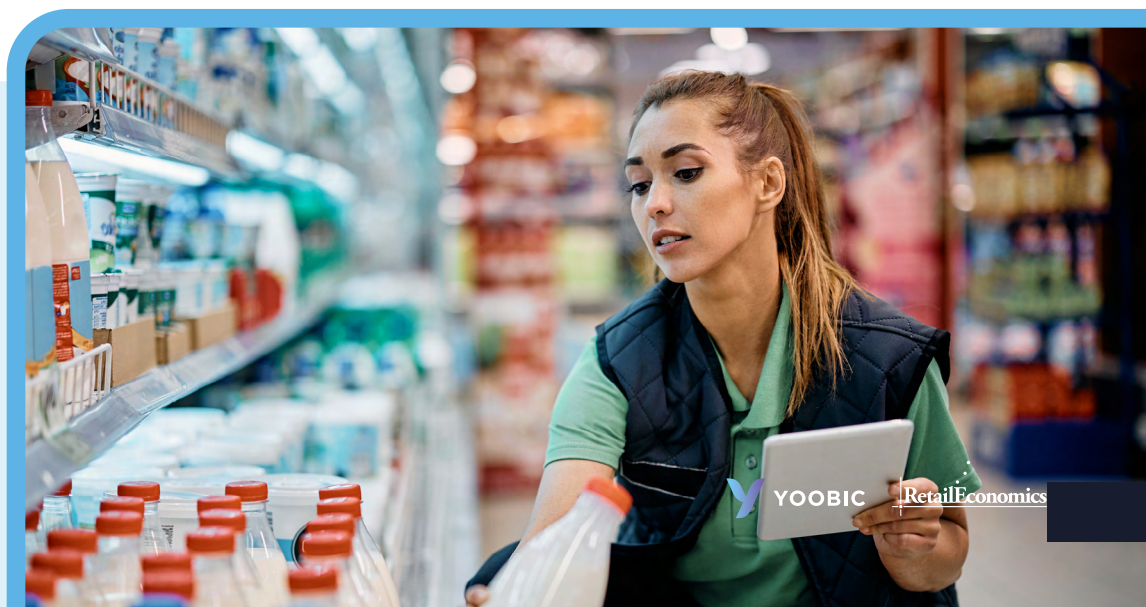
As technology evolves and customer expectations shift, frontline retail operations must adapt. Investing in advanced tools, training, and real-time insights is now critical for efficiency and competitiveness.

Our report identifies three key themes that will help retailers optimise their frontline workforce, boosting productivity and customer satisfaction:

Theme 1: Precision-driven operations

Future retailers must adopt AI, automation, and analytics to enhance efficiency and decision-making. This includes:

- **Automation of routine processes** is a top priority, with 90% of retailers agreeing it will free staff for higher-value activities like personalisation and service.
- **Operational data centralisation** is key to efficiency, with 82% of retailers (88.9% of large ones) believing it will improve cross-department collaboration and decision-making.
- **AI-enhanced decision-making** is more valued by medium (87.5%) and large retailers (83.3%) than small businesses (58.8%), reflecting their more complex structures.



Recommendations

- 1. Rethink end-to-end operations:** Move beyond AI hype in 2025 and drive real impact. Overhaul entire operations to unlock massive productivity gains. Embrace strategic transformation to leverage AI's evolving capabilities and gain a competitive edge.
- 2. Leverage AI for insights and automation:** Implement AI-driven solutions for advanced business analytics and task automation. Reduce manual workloads, allowing frontline teams to focus more on customer interactions and driving sales.
- 3. Rationalise tools and integrate systems:** Take a critical look at your current tech stack, identifying opportunities to consolidate with multi-functional tools that integrate seamlessly. Building this type of connected ecosystem will allow you to unify data, enabling data-driven decision-making and boosting efficiency across the organisation.



90%

AUTOMATION OF ROUTINE PROCESSES

Net balance in agreement

Automating routine tasks would free up frontline staff for higher-value activities like personalisation in my organisation in 2025/26



82%

OPERATIONAL DATA CENTRALISATION

Net balance in agreement

Centralising operational data would enhance cross-departmental collaboration and improve decision-making in my organisation in 2025/26



82%

AI-ENHANCED DECISION MAKING

Net balance in agreement

AI-enhanced decision-making would improve our store managers' ability to respond to real-time inventory changes in 2025/26

Theme 2: The rise of employee empowerment

Empowering frontline staff will be central to next-generation retail, with digital learning, real-time feedback, and AI-driven personalisation boosting productivity and customer focus. Areas include:

- **Mobile-first task execution tools boost efficiency**, with 86% of retailers in support. Small retailers (94.1%) see the greatest need, relying on mobile solutions to manage lean, dispersed teams.
- **Real-time performance feedback drives motivation**, backed by 85% of retailers, with medium-sized businesses (87.7%) valuing its scalability for workforce engagement.
- **Personalised learning paths enhance job satisfaction**, with 79% of retailers agreeing personalised development improves retention. Large firms show the strongest support, reflecting greater investment in employee growth.

Recommendations

1. **Embrace mobile-first apps:** Abandon clunky intranets and legacy task management solutions that can't keep pace with modern retail demands. Implement an app-based, mobile-first platform that mimics popular consumer apps, featuring microlearning, community engagement, and push notifications.
2. **Prioritise real-time monitoring and feedback:** Deploy tools for instant compliance monitoring and rapid feedback loops to save valuable time. Empower field and store leaders with the autonomy and tools to measure their own sites' performance, accelerating decision-making and enabling faster organisational progress.
3. **Invest in an LXP:** Adopt a learning experience platform (LXP) that supports just-in-time and gamified microlearning while fostering career growth through clear learning paths, AI-driven reinforcement, and skills management tracking. Ensure the platform offers customised experiences based on employee roles and AI-powered learning recommendations to maximise engagement and development.



86%

MOBILE-FIRST TASK
EXECUTION

Net balance in agreement

Mobile-first task execution tools would improve task efficiency and ensure consistent standards across our locations in 2025/26.



85%

REAL-TIME PERFORMANCE
FEEDBACK

Net balance in agreement

Real-time performance feedback systems would foster accountability and motivate employees within my organisation in 2025/26.



79%

PERSONALISED LEARNING
PATHS

Net balance in agreement

Personalised learning paths based on AI-driven insights would significantly improve job satisfaction within my organisation in 2025/26.

Theme 3: Seamless human-technology collaboration

Retail's future lies in integrating technology to enhance, not replace, human roles. Focal points include:

- **Smart task allocation and support systems** are high-impact areas for operational efficiency. With 91% of retailers supporting task automation, businesses see AI-powered workload distribution as a crucial efficiency lever. Small retailers see mobile task execution as essential due to leaner teams and operational flexibility.
- **Human-AI collaboration for customer service** will be a major differentiator. A total of 87% of retailers see AI as a way to enhance frontline interactions by allowing staff to focus on empathy-driven service. However, this sentiment is split by retailer size, with 100% of large retailers agreeing, compared to just 70.6% of small retailers.
- **Enhanced customer experience through tech augmentation** enables hyper-personalisation at scale, with 84% of retailers agreeing real-time insights improve experiences. Medium-sized businesses (87.7%) are the strongest advocates.

Recommendations

1. **AI for intelligent task automation:** Equip staff with tools that offer flexible, action-based automations. For example, implement AI that automatically generates a task when a store audit score drops below a threshold to streamline time to compliance.
2. **Bridge the gap between workforce scheduling and workload:** Implement AI-driven workforce scheduling to dynamically adjust staffing based on real-time store activity and predicted customer footfall. Ensure this system integrates seamlessly with your task management tool, enabling effective workload distribution and allowing managers to balance staff availability with operational needs for maximum efficiency.
3. **Balance automation with human touch:** Develop hybrid service models where automation handles routine tasks (e.g. self-checkout, chatbots), while staff focus on high-value interactions. Regularly refine automation to balance efficiency with human engagement, ensuring personalised customer experiences remain a priority.



91%

SMART TASK ALLOCATION
AND SUPPORT SYSTEMS

Net balance in agreement

Smart task allocation systems would allow our employees to handle time-sensitive tasks more effectively in 2025/26.



87%

HUMAN-AI COLLABORATION
FOR CUSTOMER SERVICE

Net balance in agreement

Human-AI collaboration in customer service would enable our frontline staff to focus on empathy-driven interactions in 2025/26.



84%

ENHANCED CX THROUGH
TECH AUGMENTATION

Net balance in agreement

AI tools providing real-time feedback on customer preferences would enhance our overall customer experience in 2025/26.

Conclusion

As UK retailers face mounting cost pressures and shifting consumer expectations, the path forward demands a strategic balance between efficiency, investment, and adaptability. This report highlights that while rising operating costs (driven by tax changes, wage increases, and business rates) pose significant challenges, retailers are actively seeking solutions to maintain competitiveness without compromising customer experience.

The work presents the YOOBIC Frontline Retail Excellence Model (YFREM). It is a framework to help retail brands assess how they can optimise frontline operations to drive efficiency, boost workforce productivity, and improve customer experience in a high-cost environment. By leveraging smarter resource allocation and improved service execution, retailers can also unlock new revenue opportunities and enhance profitability.

Cost optimisation by enhancing efficiency and productivity is a core focus amongst retailers. Overcoming barriers associated with systems integration, upskilling, technological limitation and employee engagement will be critical to realising wide-scale operational improvement. Furthermore, the integration of human expertise with AI-powered decision-making will allow retailers to scale service quality and operational effectiveness.

In fostering a more agile frontline workforce, businesses can not only mitigate cost pressures but also unlock new levels of productivity, customer satisfaction, and profitability. As such, retail brands that invest in technology-enabled workforce optimisation and data-driven strategies will be best positioned for long-term success.



About the research

Methodology

Modelling and analysis by Retail Economics, which includes insights from a survey of 100 UK retail businesses with a turnover of between £10m and £5bn undertaken in Q1 2025.

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YOOBIC is an AI-Powered Frontline Operations Platform. Our mobile app gives business leaders and frontline teams the performance tools they need to communicate, learn, and work – all in one place. YOOBIC drives productivity and operational excellence while drastically improving the frontline employee working experience.

350+ companies around the world including Home Bargains, Boots, Pret, Caffè Nero, DFS, Watches of Switzerland and Lacoste trust YOOBIC to improve operational consistency and agility and improve customer experience.



Retail Economics is an independent economics research consultancy focused on the consumer and retail industry. We analyse the complex retail economic landscape and draw out actionable insight for our clients. Leveraging our own proprietary retail data and applying rigorous economic analysis, we transform information into points of action.

Our service provides unbiased research and analysis on the key economic and social drivers behind the retail sector, helping to inform critical business decisions, giving you a competitive edge through deeper insights.