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INSIDER COMMUNITY

Welcome to the new retail workplace: how to embrace new working trends while boosting productivity

RETAIL GAZETTE

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Partner forewords

Navigating the rapidly transforming retail landscape requires more than just adaptations; it demands visionary leadership that places frontline workforces at the heart of change.

Far from being mere numbers, they are the lifeblood of our industry and their engagement, morale, and competence is crucial.

In 2023 and beyond, retailers' top challenge is to provide frontline employees with the tools, flexibility, and recognition they require while balancing productivity.

This report, rich in insights and innovative strategies, is an essential guide to navigate this new retail workplace, ensuring retail teams aren't simply surviving, but truly thriving.

Bradley Capon, head of strategic projects UK, Yoobic

YOOBIC

In many ways the retail sector is in the vanguard of a rapidly changing economic and technological environment, navigating fast-evolving consumer behaviour.

Those who are able to adapt set themselves up to thrive. Key to this is navigating unprecedented change and adapting to a new normal in the labour market: embracing new working trends and leveraging technology to boost efficiency and productivity.

With qualified candidates more scarce than ever, retailers face the dual challenge of recruitment and retention. And with high rates of labour turnover resulting in ongoing hiring needs, retailers need to be at the forefront of adopting innovative approaches to attract and retain talent.

By nurturing employee wellbeing, promoting diversity, leveraging technology, and fostering open communication, retailers can get ahead of new trends, boost workforce productivity, and foster a skilled and motivated workforce.

Rethinking traditional work structures and leveraging new technology is essential to developing a sustainable competitive advantage, transforming challenges into opportunities for sustained growth and innovation.

Matthew de la Hey, CEO, Inploi

inploi

Introduction

Is work a place you go, or something you do? Do people need to be physically present to be productive? How much office space does a retailer really need? Just what is it that constitutes a productive, engaged, happy and growth-focused retail organisation in 2023 and beyond?

No-one knows the exact answers to these questions, and the sheer breadth of the sector means there are many nuances to consider.

Retail execs are testing new models and rolling out fresh staff initiatives as they deliberate over their best approach against a backdrop of micro and macroeconomic volatility.

Office for National Statistics data shows UK retail employed 3.12 million people at the end of 2022. That's 14,000 down year-on-year, the continuation of an ongoing decline in workforce numbers that has seen hundreds of thousands leave the sector post-Covid.

Since the turn of the year, a raft of further redundancies have been made in the industry, not least through the closure of retailers M&Co and Paperchase, which employed around 2,700 people between them. Tesco also announced 2,000 job cuts in January; the same month Asda said it was dropping 300 roles.

On top of that, businesses and individuals are navigating the biggest cost-of-living crisis in a generation, comprising interest rate hikes and higher-than-average inflation. The resulting financial squeeze is being felt by every worker, impacting morale even further.

We've got an emerging workforce that has different views on employer-employee relationships to before, meaning companies are increasingly required to provide additional support to their staff, aside from salaries and a vocation.

This report investigates how these changes are being manifested and what retailers can do. What is best practice for hybrid working patterns? What constitutes the right level of pay? And what new methods of managing staff will inspire the level of productivity needed in modern retail?

Read on for insights, inspiration and an indication of the way forward in the new retail workplace.

A happy workforce is a productive workforce

Retail employees are among the unhappiest and least engaged of any industry, according to research released in November 2022 by Workl, a company set up by former Waitrose managing director Mark Price to monitor workplace sentiment.

The survey of 300,000 found retail staff were the least likely of any industry to say they're happy at work. They were more likely than most other employees to feel anxious, depressed, uncared for and unsafe at work – and the most likely to say they want to leave their industry.

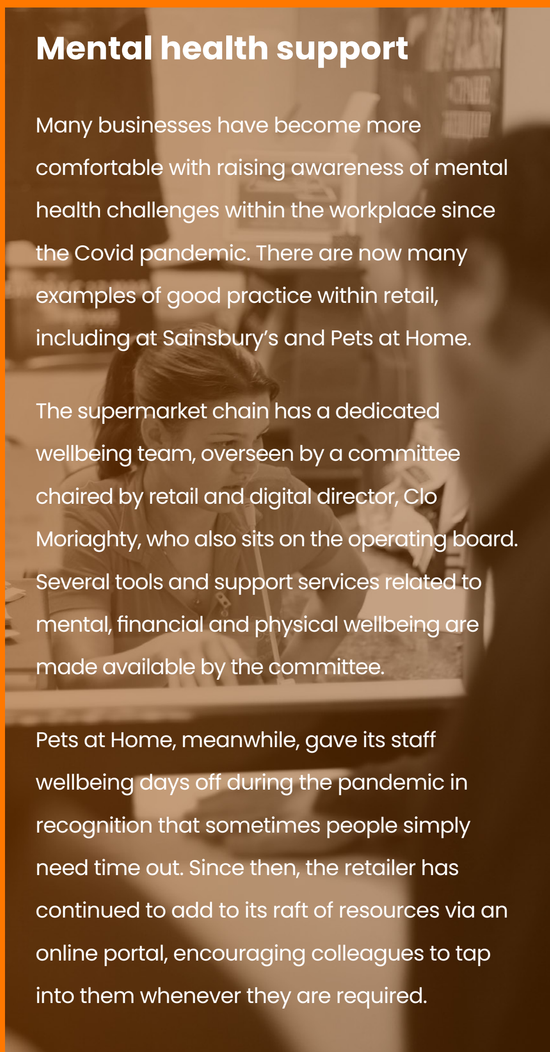
In terms of employee engagement – which is judged on job satisfaction, development and wellbeing – retail scored just 66%. Only the chemicals, mining and metal manufacturing sector scored lower.

A study by industry charity The Retail Trust, due out at the time this report goes to press, also paints the picture of a wellbeing crisis in retail. Some 70% of staff surveyed this year said they had experienced a deterioration in their mental health.

Retail Trust CEO Chris Brook-Carter told delegates at the Retail Technology Show (RTS) in April that the industry is effectively in "perma-crisis" mode.

"There has been a massive leap in the level of anxiety – [due to factors including] customer abuse and cost of living," Brook-Carter explained.

"The last two and a half years we've leapt from crisis to crisis to crisis. There's been a drip, drip, drip effect on people's levels of resilience."



Mental health support

Many businesses have become more comfortable with raising awareness of mental health challenges within the workplace since the Covid pandemic. There are now many examples of good practice within retail, including at Sainsbury's and Pets at Home.

The supermarket chain has a dedicated wellbeing team, overseen by a committee chaired by retail and digital director, Clo Moriaghty, who also sits on the operating board. Several tools and support services related to mental, financial and physical wellbeing are made available by the committee.

Pets at Home, meanwhile, gave its staff wellbeing days off during the pandemic in recognition that sometimes people simply need time out. Since then, the retailer has continued to add to its raft of resources via an online portal, encouraging colleagues to tap into them whenever they are required.

A WELLBEING STRATEGY

There is clearly work to be done by retail leaders looking to reverse these negative trends, with a desire to change the narrative within the industry prompting a workforce evolution.

According to Brook-Carter, keeping staff happy drives productivity, with unhappy workers more likely to leave the industry, be absent from the workplace or simply turn up and be unproductive.

An extensive study into happiness and productivity in 2019 by the University of Oxford's Saïd Business School and Erasmus University Rotterdam discovered workers are 13% more productive when happy.

Brook-Carter suggests the private sector needs to step in where the state is "failing", particularly around mental health.

"For a wellbeing strategy to work it needs to be sponsored by the board, needs to be driven by HR, and importantly needs to be very focused on the people. You have got to have a footprint across the entire organisation to make a difference.

He also argues that there is a "very clear financial imperative" for businesses to invest in such a strategy.

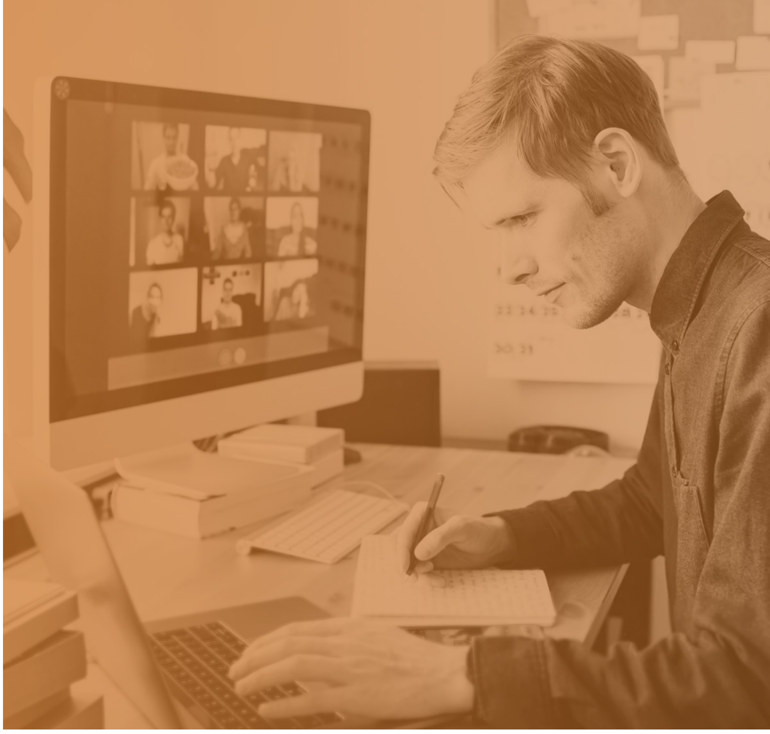
"We're trying to prove to the CEO that the health and happiness of the business is not a cost to the business – it is an investment," he adds, acknowledging that wellbeing schemes are unlikely to get on the board's agenda if they don't save the firm money.

Deloitte says the cost of poor mental health in the UK cost employers £56bn in 2020-21, an increase of £11bn on the previous year.

"[These are] significant figures for this industry," Brook-Carter notes.

"All too often they are just written off in the P&L and accepted as a cost of doing business, but [more work can be done to] lean into those and try to address the challenge they represent."

Culture, flexibility and engagement



Flexibility in retail working patterns has increased since the pandemic, but there are still widely contrasting views on whether hybrid working is more productive than consistent in-office work.

Lush co-founder and CEO Mark Constantine says: "People should do what they think is best – as long as they get the work done that is all that matters.

"I trust [my staff] to do their job and if I feel they're not doing that properly, I take action. Would I like them to go into the office now and again? Yes. I'd like them to see their boss occasionally so they can have a chat."

The key element for Constantine is that he trusts his employees – he also argues that it is the store staff, facing customers every day, who truly matter in retail.

What constitutes flexible working and what is the most productive method of work remains subjective, with Constantine proving to be something of an outlier.

Other retailers are creating more of a structured approach to hybrid working patterns.

Maxine Blackwell, human resources director at Bensons for Beds, says the furniture retailer would not have moved to hybrid working so quickly if it was not for the pandemic.

She admits it is taking time to find the right balance.

"After the pandemic we initially gave people the option of when they came back, thinking that would give people flexibility when they came in," Blackwell explained at RTS.

"Actually while that worked well for them, it didn't work well for the organisation so we really put an emphasis on being in the office set days because that is the whole purpose of going in – you collaborate and work together and bounce ideas off each other."

Head office staff at Bensons must be in the office Monday and Tuesday, and on a bank holiday week they shift the rule by a day – but head office teams are also encouraged to get out to stores. Blackwell explains it is key to keep connected with shop staff who don't have the same working flexibility.

"Sometimes in retail, especially support functions, it can be easy to forget that you work in retail and support retail. That's something else we need to think about with hybrid working - store colleagues are still in store and need that support."

Levi's managing director for south Europe and north Africa, Diana Dimitian, said at RTS that staff are encouraged to be in the office for at least two days a week in the region she oversees. In the US, three office days per week are stipulated "because we do know that in-person interaction makes all the difference in regards to culture".

She explained that Covid "accelerated a global workforce" which Levi's has embraced by splitting more senior staff across global territories. "It's working very well for us in regard to our [post-Covid] rebound and acceleration, so we don't plan on changing it."

In or out?

It is clear there is demand for the option to work remotely. In August 2022, US staff at Apple hit back at return-to-office orders, starting a petition saying diversity and employee wellbeing was at risk following restrictions being placed on remote work.

It came about in response to an all-staff memo from Apple boss Tim Cook, who told staff they must return to the office for at least three days a week in September 2022 – with Tuesday and Thursday compulsory. Despite the petition, Apple is enforcing its directive.

Former JD Sports boss and now The Fragrance Shop chair, Peter Cowgill, said he could be considered old-fashioned for his views.

"I prefer people to be in the office but I also recognise you can be accused of being a dinosaur," he says.

"The energy transmitted in the office from an ambitious company transfers into all members of the team, hopefully. I think that it is very difficult to replicate that at home."

Cowgill speaks of the "energy and absolute inherent emotion in the culture" of both JD Sports and The Fragrance Shop, which he feels is "quite difficult to gain if you're an infrequent visitor to the work environment."

Open hiring at The Body Shop

Since 2021, The Body Shop has used 'open hiring' as its recruiting method. Hiring managers select the first candidate on the application list for an in-person chat, during which candidates are informed of open positions, company history, and roles and responsibilities, before being asked three straightforward questions to confirm eligibility.

UK managing director Maddie Smith, who joined the business in 2022, says: "Part of the thinking behind it is it gets rid of bias discrimination."

Staff joining the team arrive from broader – sometimes disadvantaged – backgrounds, rather than having the traditional retail experience.

Cross-department development at Levi's

Levi's Dimitian says company "purpose" is important to modern employees. She draws a comparison between the way people choose employers to the way modern consumers pay more attention to product provenance.

"For us, it's the development," she says, adding that Levi's tracks the number of store staff that take on other roles within the corporate as a measure of success.

"Company purpose is relevant to attracting talent."

While acknowledging retailers need to be "more flexible" now, Cowgill recognises some tasks can be achieved just as well at home, and the convenience of remote work for saving time at the start and end of each day can help with childcare. But face-to-face working remains his preference.

The same is true for John Roberts, CEO of AO.com. Roberts, whose mantra since setting up AO has always been to encourage staff to consistently act in a way that would "make your mum proud", banned hybrid working at the electricals retailer from the start of 2023.

In an interview with The Times in May, he revealed some staff had decided to leave after the policy changed and he "wishes some other people would as well" if they disagree with the policy.

"The production levels of those people working here who don't want to be in the office are much lower. Everyone almost breathes a sigh of relief when they leave," he told the publication, adding that he hadn't struggled to recruit staff despite the new policy.

Major City firms including BlackRock and JP Morgan are starting to order staff back to the office, while, in May, Tesla chief executive Elon Musk said working from home was "morally wrong". He described it as the preserve of the "laptop classes" who are happy for manual workers such as shop staff, warehouse, and factory employees to keep attending their place of work.

UK chancellor Jeremy Hunt joined the debate at the British Chambers of Commerce annual conference in May. He suggested businesses will have to "find their own way through" but predicted remote working would not become the norm for most, partly because it stems creativity.

Leader of the opposition, Sir Keir Starmer - who is currently favourite in the polls to become the UK Prime Minister after the next General Election - has vowed to protect the right to work remotely in law, calling it "very important".

It is a debate for the ages and individual retailers must forge their own plans.

ENGAGEMENT AND DEVELOPMENT

Yoobic CEO Fabrice Haiat says store workers' passion for retail is often outweighed by their disappointment at a lack of career growth and development opportunities. They also feel a lack of engagement with their businesses, he argues.

"Many of the staff working in retail feel like they are just a number," he says.

"But if you're a retail company, store staff are the most important workers. They face the customers and are tasked with actually delivering the business strategy, so retailers need to find ways to better engage this section of the workforce."

Haiat emphasises that store staff need to feel they "have a voice" and are "being listened to".

"Frontline workers are an asset to the broader business and have the information that can help shape the right customer strategy, so its crucial retail leaders find ways to connect with them."

Marks & Spencer (M&S) is one of many retailers aiming to improve its workforce engagement.

CEO Stuart Machin established a scheme in 2022, Straight to Stuart, to gather staff feedback which can be used to shape strategy and open up the voice of the workforce. M&S has said it is continually looking for ways "to elevate the customer experience and enhance colleague satisfaction", and the new initiative allows new and old colleagues alike to share what they think would make the business run better.

Machin said in February 2023 that more than 7,000 people within M&S had used the service thus far, and that he reads all messages submitted.

Matthew de la Hey, CEO of Inploi, says: "Retaining talent is crucial for any employer, with employee turnover impacting productivity, efficiency and company culture.

"Retailers that put emphasis on their employer value proposition and candidate experience are more likely to retain team members by improving candidate engagement with their brand and the opportunity."

He adds: "An organisation's culture and values play a significant role in attracting and retaining talent. Retailers that showcase their commitment to diversity, inclusion, employee wellbeing, and flexibility in their employer branding can attract individuals who align with these values."

Levi's Dimitian argues that flexibility and engagement are key drivers in winning "the war on talent" currently sweeping across retail and the wider business world.

"A lot of what we are doing is listening to the teams," she says. "A lot of the store manager training is around the empathy measures and support network measures."

The fashion retailer appears to be hitting the sweet spot when it comes to training. Not only was 2022 revenue up 7% year on year to $6.2 bn, but developing junior line managers is essential for a productive modern workforce, according to the Retail Trust.

One in four junior line managers in retail told the charity in its 2023 survey that they want to leave the sector, which has been attributed to a combination of bearing the brunt of their colleagues low morale and wellbeing and lack of training to cope with it.

"If there is one silver bullet you can embark on in the next 12 months to make a difference to your organisation is train your junior line managers," says Brook-Carter.

"They are hugely underinvested in when it comes to leadership skills. They are falling into the dangerous world of being accidental counsellors; they are taking on the burden when they shouldn't."

New retail's size, shape – and pay packet

The retail workplace is changing both culturally and physically.

In May, it emerged the John Lewis Partnership (JLP) is set to more than halve the size of its central London headquarters in London Victoria, as it looks for new premises in the capital.

A spokesperson for JLP said the Waitrose and John Lewis parent company is looking for a site "that better suits our needs" when the current lease ends next year.

"Like many businesses, we don't need as much space now we have a blended approach to working in offices, home and out in the business. As our requirements for office space reduce, we also expect to reduce our occupancy costs."

This is not an isolated case. In a presentation to investors in October 2022, Machin said M&S is considering its head office space at Waterside House in Paddington, where the lease is due to end in 2028.

Downsizing or moving could offer a chance for creating greater flexibility for staff and/or greater cost efficiencies, he explained at the time. He said he envisaged "smaller hubs around the country", allowing the retailer to tap into the best talent nationwide.

The Lush head office is based outside the hustle and bustle of London in Poole, Dorset – and Constantine supports JLP and M&S's decisions.

"People have cottoned on to the boss's life, where they can go in when they like and do what they like," he explains.

"And who wants to pay exorbitant rates to go into central London? That's the transport providers' fault - if they brought that cost down, more people would go in. I do think policymakers should stop insisting people go in simply to support the city infrastructure."

THE FOUR-DAY WORKING WEEK

Several retailers, including Sainsbury's, Morrisons, Superdry and M&S, are trialling a four-day working week as they look to help create a better work-life balance for staff.

From January 2023, more than 3,000 retail managers at M&S have been given flexible working options such as spreading their hours over five days, working a four-day compressed week or nine-day compressed fortnight.

Superdry introduced a four-day week for its store staff in October 2022. Cathryn Petchey, people director at the fashion retailer, said the company recognised after the Covid-19 pandemic that working in retail had become less attractive to some people. It was partly due to the newly created hybrid working opportunities in other industries, as well as overall perception of job stability.

The ability for store teams to work their contracted hours over four days has given staff more flexibility and improved morale, according to Petchey.

The results are in

Findings from the world's biggest ever research pilot into a four-day working week were published in February 2023, by the think tank Autonomy and leading academics at the University of Cambridge and Boston College.

The trial took place in the UK from June to December 2022, with some 92% of the 61 companies taking part deciding to continue with a four-day week once the experiment had ended. Of those, 30% have confirmed the policy is a permanent change.

PAY YOUR WAY

Retailers including Majestic Wine, Primark and Pandora have been quick to introduce pay rises in the cost-of-living crisis.

Majestic Wine says it made "the biggest investment" in its colleagues this year, to better reward them and enable them to "earn as they learn".

Basic pay for store staff is now £10.60 per hour, with the average salary set to increase by 6.7% in 2023/24. Store managers can earn an additional £11,700 per year on top of their base salaries due to a new incremental pay structure and can also be rewarded for their Wine & Spirit Education Trust qualification level, tenure and size of shop they lead.

CEO John Colley said the pay structure allows "all store colleagues the opportunity to earn more, learn more and progress their careers at Majestic".

Primark increased hourly pay for its retail staff by an average of 12% from 1 April 2023. It means they will receive £11 an hour and £11.51 in London. All staff are now on one rate of pay.

A host of new staff incentives at Pandora came as the retailer also raised its hourly pay for store colleagues in the UK and Ireland by up to 14%.

Retail employees in London saw hourly pay rise by 10% to £11.95 this April, while store staff across the rest of the UK enjoyed a 14% increase to £10.90.

New incentives include a monthly bonus for all store teams, a personal allowance for own-brand jewellery up to £500, and an opportunity to win a team holiday to Thailand.

Managing director for the UK & Ireland, Rasmus Brix, said Pandora's workplace culture was "one where our employees are not only rewarded competitively, but also where they feel heard, valued and supported through the right tools, platforms and policies".

Key takeaways

Growth retailers are investing in their teams, focusing on staff welfare and hiking up pay to recognise the work their employees do in increasingly challenging times.

Experiments with new working patterns are under way, with fresh initiatives being launched to ensure retail is a more attractive place to work and develop – but there is a polarised debate about where the work of support and head office should be done.

Retailers are still in experimental mode when it comes to how often, if ever, work needs to be done in an office environment. The right answers are difficult to find and each business will have to decide its own path – meaning that employee engagement will be key to avoid friction.

As retail businesses navigate the complexities of the new workplace, it is worth remembering these key takeaways:

- Retail staff in general are unhappy and disengaged with their work. It is vital retailers open up lines of communication to understand why and start making improvements before even more people leave the industry.
- Workplace wellbeing strategies can ward off unnecessary operational challenges and save retailers money in the long run.
- The hybrid/remote working versus office working debate is set to run for some time and needs to be managed sensitively in a world where there is limited flexibility for store and warehouse staff, whose welfare also needs consideration.
- Support for junior line managers has been lacking and requires particular attention if retailers are going to drive productivity – and retain their talent.
- Inflation is at a 40-year high, so renumerating employees appropriately and competitively is paramount to creating a productive and engaged workforce.

RETAIL GAZETTE

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