

Retail Labor Report: The Great Retailer Reset Has Arrived

by Elias Amash

With the lingering pandemic, war in Ukraine and potential for a recession looming, retailers are struggling to balance staffing and inventory and those that address these issues proactively will be rewarded with greater profits and more loyal customers while those that do not, will pay the price and risk failure.

Everyone knows that energy costs drive up inflation. What we do not hear much about are labor rates. Labor rates have gone up dramatically over the last 2 years. When a business has to pay more for labor, it obviously has to raise prices on its products or services. Labor shortages have become a major issue as well. These problems create a challenge for retailers to maintain proper staffing and inventory levels. Solving these problems is the key to success for retailers in the near term.

For more than two years, predictions about the future of retail have been dire, and headlines for 2022 do not appear to be much better: empty shelves, more than 1 million retail jobs unfilled, and more shipping delays. Job openings in the U.S. are near an all time high as a record 4.5 million workers quit their jobs in November 2021, a phenomenon that has been called the “Great Resignation.”

The Great Resignation

Ongoing consumer health fears from the pandemic, as well as other factors such as child care duties, burnout and higher relative levels of savings amassed during the pandemic, have reduced the number of workers in the labor force, according to economists. Labor shortages have been most acute for low-paying, in-person jobs — such as bar, restaurant, retail and hotel positions in the leisure and hospitality sector. Employers have increased wages to attract and retain employees amid the demand for labor. About 74% of companies cited the tight labor market as a reason to increase their budgeting for raises, according to a recent [Willis Towers Watson](#) survey.

Fewer companies (31%) cited inflation as a factor in higher estimated pay. The cost of living is growing at its fastest annual pace in about 40 years, as the pandemic has complicated supply lines and led consumers to shift consumption toward more physical goods. Employers feel the need to increase pay to help employees keep up with rising costs.

Overall, 32% of companies increased their salary projections over the course of just a few months. In June 2021, for example, respondents had budgeted for an average 3% increase in worker pay this year, according to Willis Towers Watson. Respondents to the survey paid a 2.8% raise to employees in 2021, on average.

Higher pay isn't the only way companies are competing for workers; some are also focusing on career advancement, mental well-being programs and other workplace elements to keep employees happy and engaged.

The Great Resignation has brought workforce issues to the forefront of the retail industry discussions. 70% of executives surveyed say labor shortages—particularly in hourly wage jobs will slow down retail growth in 2022. Currently, the biggest pain point for retailers is at the store level, with 74% expecting shortages in customer-facing positions this year.

Warehouse positions are also problematic: 56% of executives expect shortfalls in hourly supply chain, distribution, and logistics positions. Turnover has typically been an issue with these jobs, and it has accelerated even more due to additional pressures put on workers during the pandemic.

Retailers can also consider ways to infuse culture, flexibility, and purpose into their organizations to address the war for talent. An overwhelming 94% of executives surveyed believe employees prefer workplaces that consider Diversity, Equity, and Inclusion (DEI) in their efforts to hire and retain employees. And while 86% plan to make moderate to major investments in DEI, such investments are often focused on programming and training. Retailers can improve the return on these investments by focusing on outcomes and considering what career advancement looks like in their organizations.

A gray-collar strategy

Training money goes typically to the 25 to 35 year old age bracket, but now people are living longer, and highly-skilled mature (gray) workers are left untapped, says Laurie Ruettimann, HR consultant and author of "Betting on You."

"Leading organizations are not just looking at Gen Z and Millennials—they're also adding more skills to the older workers' palette through either reverse mentoring or through formal educational reimbursement," said Ruettimann. "They're also looking at taking someone who has worked maybe 25 years in finance and giving them opportunities to go work in human resources or logistics." This trend is growing and shows no signs of slowing.

Inflation has potential upside for retailers

The annual inflation rate in the US accelerated to 7.9% in February of 2022, the highest since January of 1982. Some retailers are turning these challenges into opportunities. For example, 58% of retailers have seen inflation as a chance to raise prices and improve margins. With fewer products to sell, some stores have stopped offering promotions, thereby boosting profits. Others have built on strategies already in place, such as closing unprofitable stores and reducing inventory levels to emerge stronger from the pandemic. Due to the supply chain disruptions, more retailers are increasing

inventory levels.

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Just in Time turns to Just in Case

To combat labor challenges, supply chain managers and logistics experts are considering migrating from a “Just in Time” (JIT) order fulfillment approach to a “Just in Case” (JIC) model. Brands are now starting to hold a larger buffer stock and plan for longer fulfillment lifecycles.

Many are investing in more extensive storage and distribution centers to create self-mandated insurance policies that will help protect their operations — and their customers — against supply chain disruptions such as labor shortages. Rather than keeping their inventory as lean as possible to minimize extra costs, manufacturers and retailers are planning for the unexpected and making upfront investments in more stock to secure their operations in the long term. Partnering with distributors that can maintain backup inventory is important as well.

Data can help companies adjust their inventory management processes to optimize lead times without putting themselves at risk. Increased data visibility will enable brands to make informed decisions and deliver optimal results for their end consumers and their bottom line while still accounting for potential disruption in the months or years ahead.

Supply Chain Resiliency & Restructuring

Failures across the supply chain during the pandemic have highlighted persistent issues with the manufacture and movement of goods around the world. True supply chain resiliency will likely require significant change across the board. Retailers can't afford to wait: Eighty percent of executives surveyed believe consumers will prioritize stock availability over retailer loyalty in 2022. Out of stock means out of business!

Fulfillment, inventory management, and warehouse management are expected to top supply chain investments this year, according to the Willis Towers Watson survey. However, 57% of executives have no plans to invest in robotics and automated material handling. This is concerning, given the current workforce challenges the industry faces. Forward-thinking retailers can strive to automate their processes as much as possible and consider making significant investments in automated driving technology and last-mile delivery.

As it becomes apparent that the supply bottleneck may take years to resolve, retailers should plan for the future by cultivating transparency. Conveying information openly and completely across the supply chain is essential to help maximize the impact of technology investments. For example, suppliers for mass merchants and large retailers often have little insight into what products these companies expect to sell or discount in

the future, creating potential supply chain and delivery issues down the road. Retailers should aim to share information transparently and with enough lead time to help their partners upstream plan accordingly.

The Digital Revolution Is Here to Stay

During the pandemic, consumers have increased their reliance on technology and digital platforms and have adopted innovative ways to shop. And while many consumers say they now feel more comfortable returning to stores, their preference for online channels remains higher than before the pandemic, according to a [Deloitte](#) holiday survey.

67% of respondents in the retail outlook survey cite e-commerce and online shopping platforms as top investment areas, given that many organizations still operate on legacy platforms. Some retailers still do not use cloud services and need next-generation e-commerce platforms to support their future digital ambitions. Shifting customer expectations are making old e-commerce solutions seem even more outdated, especially as users demand new capabilities and experiences that are not currently supported.

Despite the shift to online channels, the role of the store isn't going away. Now more than ever, stores are needing to support both traditional shopping patterns and omnichannel fulfillment activities. This is forcing many retailers to rethink their in-store investments and infrastructure to be resilient and agile.

According to the survey, only one-quarter of executives are prioritizing store investments in 2022. Retailers likely should make this a higher priority. Legacy technologies that retailers run in-store cannot support customer and associate needs in the future. The next 12 months will offer retailers many opportunities to restructure outmoded supply chains, rightsize inventory management, review pricing strategies, and reinvent the physical store for the digital age. This will require entirely new ways of thinking and long-term commitments, but these efforts could forever shift the way retailers conduct business. That future begins today, as retailers address near-term challenges with an eye on lasting benefits.

Technology is integrating with all parts of our lives. Some retailers have reduced their store footprint and rely on e-commerce, while others continue to integrate technology into inventory systems, self-checkouts, and distribution centers. Are you making the same investment in technology to upskill or reskill your employees to keep pace as technology grows in your business?

Conclusion

What your brand says about your product and services is what brings consumers back to your stores each time. As your company evolves, the way you look at labor has to evolve as well. Your staffing is crucial to retail and making employees feel part of the brand family needs to start today. Employees are out there, waiting for the right

opportunity that provides total rewards. Now is the time to rethink retail to attract and retain the best team members.

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About the Author:

Elias Amash, President of GRIP, is an industry veteran with more than 30 years of experience in global sourcing, manufacturing, distribution, retail merchandising, fulfillment, marketing, technology, and operations. He is a trusted partner to hundreds of retailers and has “leveled up” the industry with GRIP’s undying commitment to offering only the highest levels of service to its customers. Amash has published several business books, *The Retail Advantage: How to Win the War with Amazon*, *Retail Survival: Who Lives, Who Dies and Why*, *The Future of Retail*, *Importing from China: The Good, The Bad, and The Ugly*, and *101 Bright Ideas: Winning Tactics to Increase Retail Sales along with the Top Ten Life Lessons They do not Teach you in School*.

About GRIP:

GRIP was incorporated by Charles Amash in 1980 and has grown into one of the nation’s top suppliers of innovative products to the retail industry. Located just south of Grand Rapids, Michigan, GRIP features a 200,000 sq ft state of the art warehouse facility including a 2,000 sq ft product showroom. GRIP carries a product line of over 1,000 specialty tools, tarps, automotive, cargo control, cleaning, LED lighting, magnetics, outdoors, household items, impulse and general merchandise. GRIP has a proven track record of excellence in supplying retail clients with innovative products, timely fulfillment, and world-class customer support. At GRIP, everything is about earning your business...one customer at a time. It’s about building relationships and fostering business partnerships that will last long into the future. Our goal is to have Customers for Life. The future at GRIP is exciting and we’re hoping that you can be a part of it as one of our many Customers for Life.

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