

# Retail

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UNDER THE SPOTLIGHT



**Deloitte.**

From Great Resignation  
to Great Reimagination

# Sector overview and 2022 outlook

The pandemic fueled Great Resignation put retailers in a challenging spot by creating more open positions than available applicants in the market.

Workers turned to different employers for higher pay, more flexible/hybrid work arrangements, or completely gave up work to pursue other passions and opportunities.

Although the mountain to climb is steep, this is an incredible opportunity for retailers to 'reset' to compete in the next era of retail and commit to pivot toward the future.

Consumer buying habits certainly shifted with the push to stay indoors and boosted e-commerce beyond expected projections with US e-commerce sales reaching a whopping \$871 billion in 2021, up 14.2% from 2020.<sup>1</sup>

Despite the current challenges with labor, ever-changing consumer demands, and supply chain disruptions, retailers are optimistic about future revenue growth and margins. Some retail executives are turning these challenges into opportunities.

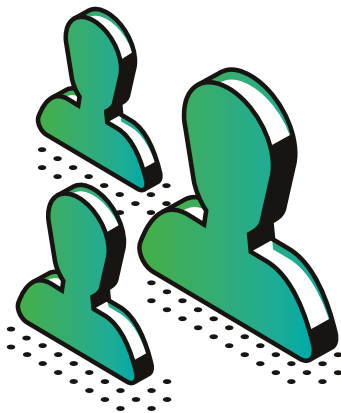
Across this landscape, there are three key priorities to put front and center:

- The leading priority among leading retailers is reimagining the workforce. Facing workforce shortages, retailers are emphasizing employee recruitment and retention, bearing in mind employee priorities such as Diversity, Equity, and Inclusion (DEI). The majority of retailers (86% of respondents<sup>2</sup>) with at least functional strategies for making the workforce future-ready, plan significant investments in DEI and employee retention strategies.



- Priority two is investing to improve supply chain capabilities to be increasingly resilient. These focused investments will help mitigate rising supply chain costs and achieve more reliable flows for internal distribution and fulfillment networks, and across suppliers and carriers. Major technology upgrades are either ongoing or planned in areas including inventory management, fulfillment, and warehouse management.
- The third priority—a digital revolution. Retailers are investing in digital marketing and online shopping platforms, with many expecting the digitization of the physical world. An exponential increase in technological adaptation, automation and user experience has resulted in a shift to the digital space, simultaneously increasing consumer convenience and margins.

Although the mountain to climb is steep, this is an incredible opportunity for retailers to ‘reset’ to compete in the next era of retail and commit to pivot toward the future. Leading retailers are reimagining the physical store in support of the omnichannel, expanding digital capabilities, modernizing the supply chain, and making the workforce future ready.



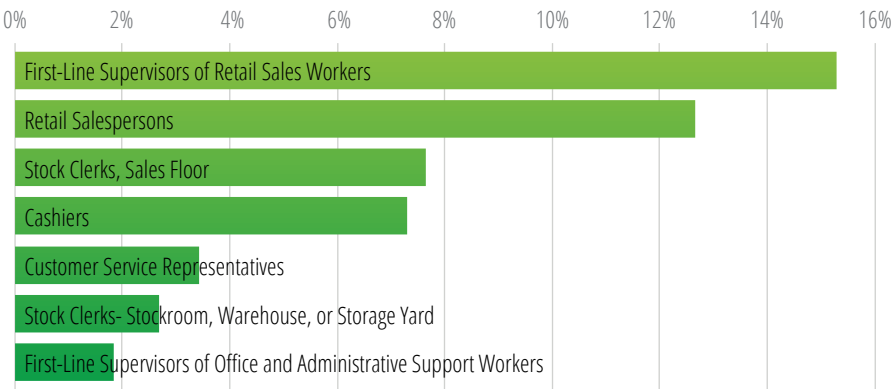
# Current labor situation

The current challenges impacting the Retail and Consumer Products sector are labor shortages, coupled with hiring challenges, and supply chain disruptions.

While the sector has seen exponential growth in job postings, a 52% increase in monthly postings from Jan 2018 to Feb 2022, suggests that companies unfortunately can't hire fast enough. Many executives anticipate workforce shortages in retail store and supply chain operations.

The labor shortage problem is most evident at the store level, with shortages in customer facing positions—especially in hourly wage jobs. Customer facing positions such as Front-Line Supervisors and salespersons account for 28% of the job postings within the Retail and Consumer Products sector.

## TOP POSTED OCCUPATIONS (CONSUMER: RETAIL AND CONSUMER PRODUCTS)





Source: Deloitte Human Capital Data Lake

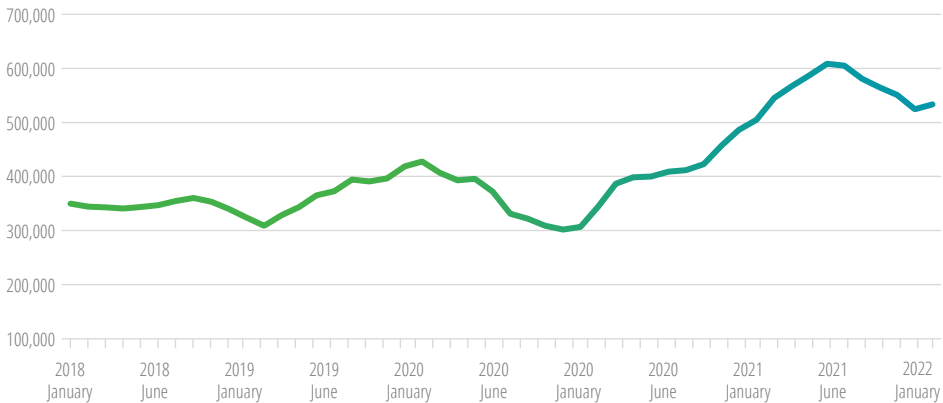
The labor shortage is also seen within warehouses and is exacerbating supply chain issues, impacting consumer trust. Warehouse positions are expected to be problematic with 56% expected shortfalls in hourly supply chain, distribution, and logistics positions.<sup>2</sup>

Turnover has always been an issue with these jobs, but it has accelerated even further because of the additional pressures put on workers by the pandemic. These shortages reduce production and can adversely affect quality and service levels. Considering this, eight in ten executives report that these shortages will cause consumers to lose trust.<sup>3</sup> Companies can't afford to wait and must act quickly given that 80% of executives surveyed believe consumers will prioritize stock availability over retailer loyalty in the upcoming year.<sup>2</sup>

Also concerning is that nearly half of executives expect a shortage in skilled workers for IT and analytics positions—needed roles that require greater investment and will likely be the foundation of digitally enabled retail.<sup>2</sup>

The shortage is compounded by the fact that retail is competing against virtually every other industry for talent; retailers need to solidify and re-focus on why they are more attractive than big tech for high-demand workers. Hiring for technology-driven roles will likely require retail to move at a much faster pace in adopting the latest and greatest technology to compete with far more tech-savvy industries.

NUMBER OF POSTINGS OVER TIME



# Drivers of staffing challenges

Addressing the causes and drivers of the staggering resignation numbers begins with an understanding of why it has occurred. There are a few key forces behind the resignation numbers as follows:

## DELAY IN RESIGNATION DUE TO UNCERTAINTY:

A large percentage of the resignations were pre-meditated prior to 2020, employees waited till the job market improved to make a change.<sup>4</sup>

## INCREASED WORKLOAD AND BURNOUT:

Many employees worked extremely long hours, dealt with client mistreatment during a pandemic, and suffered from health and safety concerns of their own at their workplace. This caused the feeling of burnout, leaving them wanting a flexible schedule and improved work-life balance.<sup>5</sup>

## LOW COMPENSATION AND VARIETY:

Many employees are leaving their employers not because of dissatisfaction with their current role, but just a desire or need for change and new opportunity. Low-wage workers now have the potential to earn more by changing employers frequently. As per the Bankrate Survey, 77% of Gen Z's and 63% of millennials were planning to job hunt, and 72% of those who earn less than \$30,000 per year were planning to seek new employment. Workers earning more than \$80,000 were less likely to switch.<sup>6</sup>

## LACK OF PURPOSE AND FLEXIBILITY:

Fewer people are willing to work for a company that doesn't align with their own core values. In addition, more organizations are permitting remote work and having the flexibility to work from home/anywhere has prompted employees to make a change.<sup>7</sup>







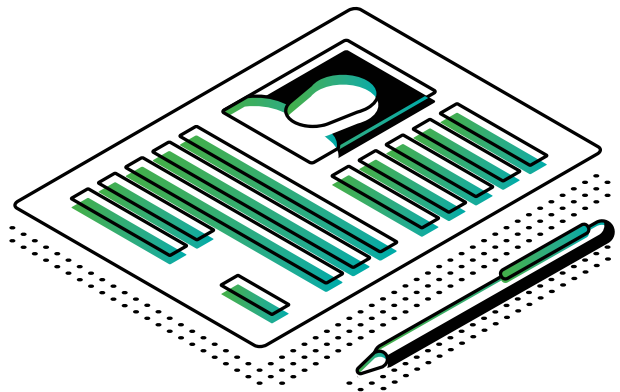


## JOB OPTIONS AND OPPORTUNITIES ARE INCREASING:

The Great Resignation has been largely initiated by mid-level workers from the ages of 30-45 with an average increase of more than 20% in the period of 2020-21.<sup>8</sup>

The reason could be that these resources have acquired technical skills and in the remote joining era, they do not require much cross-training or re-skilling. As resignations increase, the number of job options and opportunities increases as well, creating a surplus of choices for the employees.

The resignation drivers will look different in every organization, but there are approaches that can help employers more effectively interpret the data and respond appropriately. Organizations with greater visibility and awareness into the root causes of employee attrition will be better positioned to reduce turnover rate, and sequentially take meaningful action towards employee retention.



# Implications for the organization

Employee resignations have detrimental implications for organizations in multiple ways.

As employees exit companies, there are fewer team members to get the work done, thereby reducing productivity. And in many cases, the employees who resigned, walked out of the door with vital tribal knowledge, which is a common method of knowledge management and transfer within the industry.

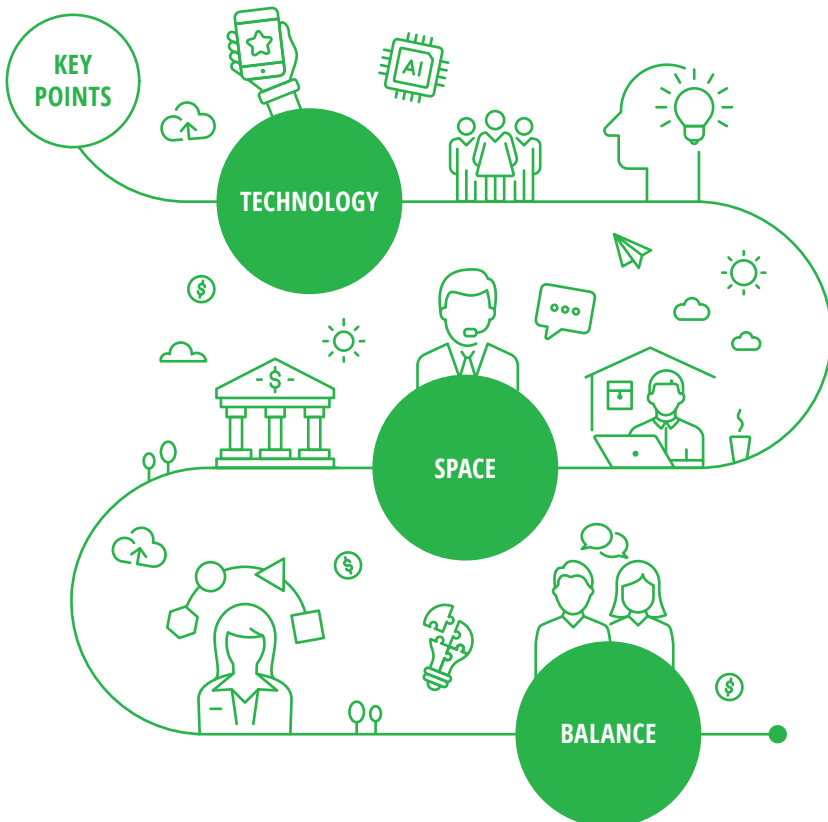
As more employees have left organizations, the remaining workers have been left to deal with increased workloads, heightening stress levels, burnout, and anxiety in the workplace.

Studies have shown that the financial impact of recruiting and training new employees can be significant. While the precise expenses will vary by organization, it's something the organization will need to manage and mitigate. Talent acquisition and retention costs are creating additional financial burdens on organizations that will continue and need to be further planned out.

As more employees have left organizations, the remaining workers have been left to deal with increased workloads, heightening stress levels, burnout, and anxiety in the workplace. Additionally, some employees may have lost lasting work friendships, which can impact employee engagement and morale more than you think.

# It's time to take action

As retailers look to pivot operations and minimize the void from the Great Resignation, there are a few things to consider—the work itself, the physical retail space and the people who run the business.



## #1 TECHNOLOGY

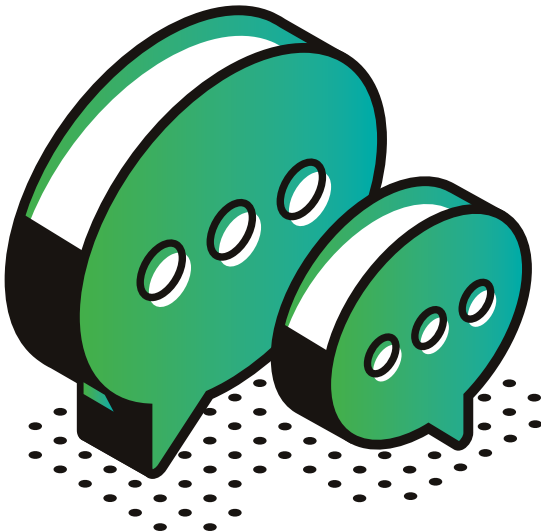
Retailers should invest in enhancing the work itself by providing the latest technology that decreases repetitive tasks, elevating the more impactful pieces of work emphasizing customer facing activities, and improving performance management to drive meaningful execution of required tasks.

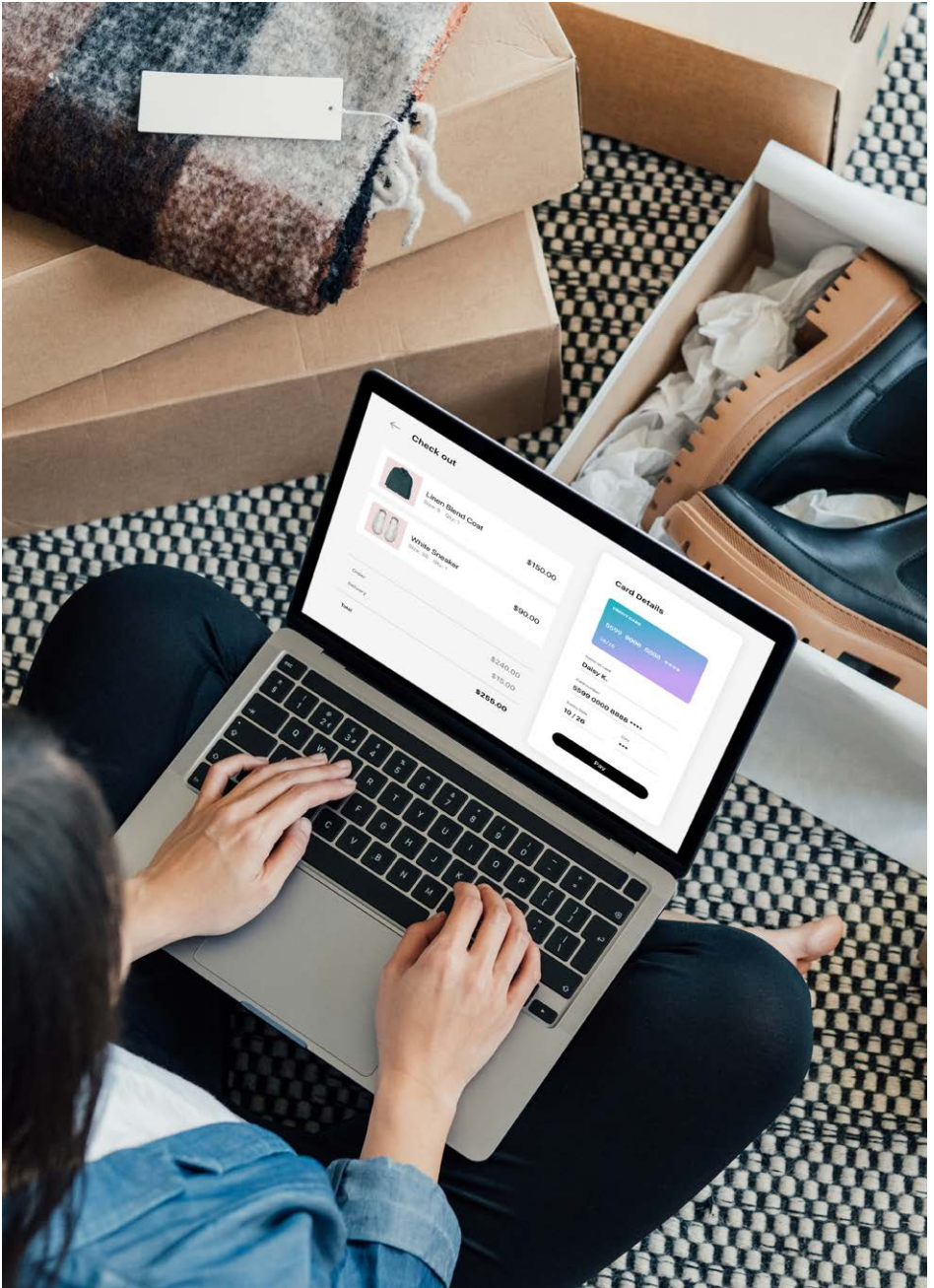
## #2 SPACE

With the boom in online buying, there is an opportunity to retrofit the retail space to align the products and people with the new demand. This may mean a smaller footprint, a different product assortment and a more flexible labor model.

## #3 BALANCE

Since many people are leaving their jobs at alarming rates, a focus on work-life balance is taking on new meaning. Retailers should lean in on those employees who are committed to the organization and upskill them for upward mobility. Providing greater flexibility in who can do the work and how the work gets done bodes well for the organization and the employee. Extending events (E.g., Smart Retail Conference) and benefits geared toward the corporate office to the retail shop demonstrates inclusion and shows that store employees are also valued.





# Moving forward

People are leaving organizations in record numbers, across industries, and there are no signs of this momentum slowing down. The retail and consumer industry has been especially hard hit.

It's time to reframe and reengage the employer-employee relationship to create greater levels of trust and connection.

Front line workers have been “in the line of fire” of not only managing their own anxiety around the health crisis and social unrest of the last few years, but also the anxiety and pressure felt by customers— which has manifested in all kinds of difficult workplace dynamics.

Organizations which embrace the challenges posed by these unprecedented events and reimagine all aspects of the employee journey—especially the frontline worker experience – will win in the marketplace.

The current circumstances present a unique opportunity. It's time to reframe and reengage the employer-employee relationship to create greater levels of trust and connection to an organization's purpose, which has the power to attract more emerging leaders and the frontline workforce which represents the heartbeat of most consumer companies.



# READY TO REIMAGINE WHAT'S NEXT?

- <sup>1</sup> Digital Commerce 360, "[Coronavirus pandemic adds \\$219 billion to US ecommerce sales in 2020-2021](#)," March 15, 2022.
- <sup>2</sup> Deloitte, [2022 Retail Industry Outlook: The pandemic creates opportunities for the great retail reset](#), accessed 2022.
- <sup>3</sup> Deloitte, [2022 consumer products industry outlook: Overcoming new challenges in the battle for trust](#), accessed 2022.
- <sup>4</sup> CNBC, "[The Great Resignation: Why millions of workers are quitting](#)," October 19, 2021.
- <sup>5</sup> The Washington Post, "[‘Micromanaged and disrespected’: Top reasons workers are quitting their jobs in ‘The Great Resignation’](#)," October 7, 2021.
- <sup>6</sup> Who Is Best Broker, "[Great Resignation – Is it a Myth or a Reality?](#)" December 2, 2021.
- <sup>7</sup> McKinsey & Company, "[‘Great Attrition’ or ‘Great Attraction’? The choice is yours](#)," September 8, 2021.
- <sup>8</sup> Harvard Business Review, "[Who is Driving the Great Resignation?](#)" September 15, 2021.

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