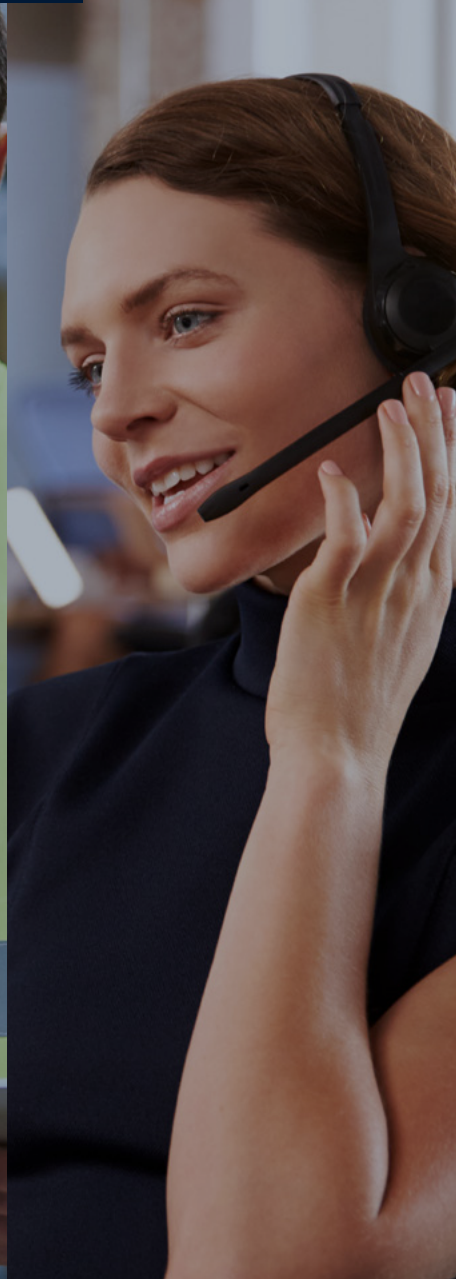


A NEW WORLD OF WORKFORCE MANAGEMENT:

USING THE RIGHT TECH TO
RESPOND TO LEANER STAFFS



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TECH GUIDE



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INTRODUCTION

COVID delivered a double blow to retailers' staffing efforts: First, the threat of infection stretched store, warehouse and call center employees to the breaking point; then, the social effects of the pandemic, now well known as "The Great Resignation," made the recruiting and retention of workers even tougher and more competitive than usual.

Despite the fact that much of the world seems to have moved into its own period of resignation about the reality of living with this virus, the retail labor shortage shows no sign of receding. Job openings at retail have **continued to tick upward**, reaching a seven-month high in March 2022, and business leaders still cite "lack of talent" and "staff turnover" as two of the biggest barriers to performance in a **recent survey** from Proactis.

"If you look at even just the last quarter, there's still a lot of the Great Resignation going on," said Tyler Higgins, Retail Practice Lead and Managing Director at global consulting firm **AArete** in an interview with *Retail TouchPoints*. "Stores have been quick to respond by increasing hourly rates and adding enhanced benefits like tuition assistance and training programs, so it's slowed down a little bit, but it definitely hasn't stopped. There's still very much a staffing issue at the store level — we're not past this yet."

Newer headwinds, in the form of inflation and a potential economic downturn, promise more of the same, but with perhaps a slightly different flavor, said Nick Kramer, Leader of Applied Solutions at **SSA & Company**: "I think the trend toward inflation will definitely reduce the appetite for risk taking that we've seen, so people will be more likely to stay where they are if they feel secure in their position," he said in an interview with *Retail TouchPoints*. "Of course employers are likely going to have to reduce their workforce as a result of the same economic pressures."

Regardless of the fluctuating reasons behind retail's ongoing labor shortage, it doesn't look like it's going away anytime soon. As a result, **many retailers have turned to technology to fill the gap**. For years, merchants have been testing out technologies to automate various aspects of the retail ecosystem, from distribution centers to checkout, but there's additional urgency today.

"Retailers are at the forefront of customer interaction, and many retailers, grocery specifically, have really thin margins, so the guiding principle of their business has to be great customer experience to [retain customers] and great efficiency to manage the bottom line — that's why **automation has always been pretty prevalent in the world of retail**. And now in the last couple of years it's become more cost-effective as well," explained Higgins.

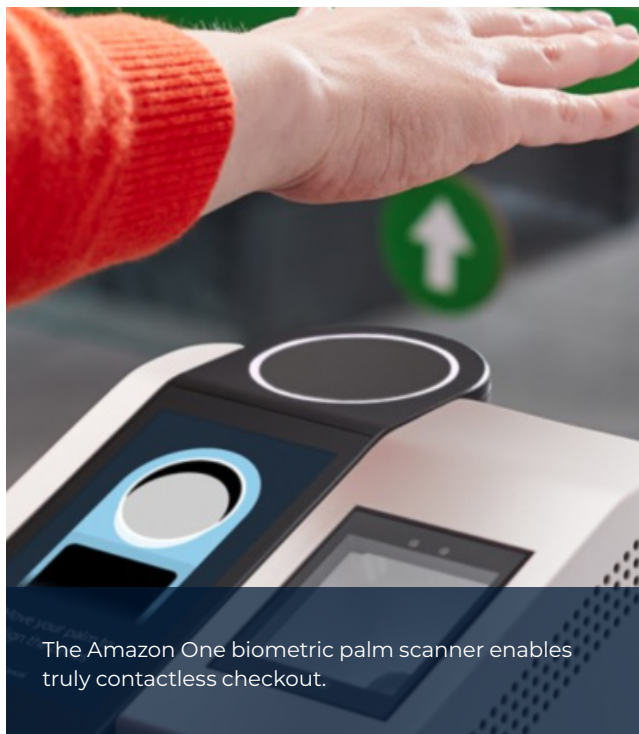
While automation offers a solution to retail's labor problem, retailers must walk a fine line — introducing needed efficiencies without losing current employees. Here's how they're doing it:

- A whole host of new tech — from **biometric-based checkout** to **electronic shelf labels** — is enabling retailers to remove mundane tasks from employees' plates and redeploy their existing workforce toward higher-level work;
- While minimum wage bumps are nice, the true key to retaining today's employees is a sense of community and work-life flexibility, both of which are being facilitated by new tech such as **shift-swapping apps** and **employee communications platforms**; and
- Ultimately all the tech in the world won't do any good without humans, so companies need to manage the process of **rolling out new automation in a way that is inclusive of their existing workforce**.



AUTOMATION ALL AROUND, FROM DCS TO STORE SHELVES

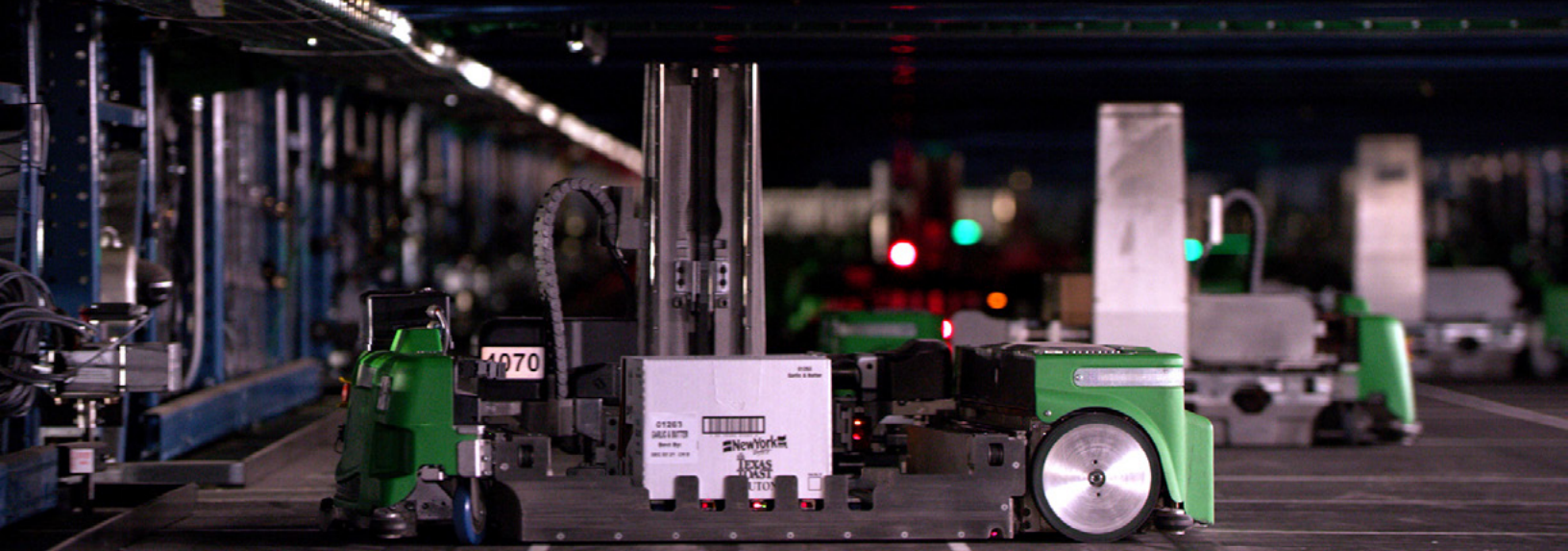
The current labor pressures have stepped up the pace at which companies are implementing new tech solutions, according to David Ritter, Managing Director of the **Alvarez & Marsal Consumer Retail Group**. “Given the difficult labor market, we are seeing retailers push automation pretty aggressively,” he said in an interview with *Retail TouchPoints*. “It’s still somewhat early days, but we’re seeing it accelerate pretty dramatically in terms of everything from piloting to full rollout of automation solutions.”



The Amazon One biometric palm scanner enables truly contactless checkout.

One of the most common areas for automation: the cash wrap. Consumers are now accustomed to self-checkout experiences, making it low-hanging fruit for retailers that need to make up for workforce shortages. **DSW** rolled out a self-checkout pilot at some of its stores last summer in **direct response** to the labor shortage; and **Dollar General** — which already has self-checkout kiosks in **8,000** of its **18,000** stores — plans to begin testing a **100% self-checkout store format** across **200** locations this year.

One of the vanguards in this arena, **Amazon**, has already rolled out its smartphone-based Just Walk Out cashierless tech to other retailers, including **Starbucks** and **Hudson**, and is now leading the way in the next frontier of cashierless tech — **biometrics-based checkout**. The company continues to roll out its **Amazon One** palm-based checkout at its own storefronts such as **Whole Foods**, as well as at **other retailers**. Not to be left behind, **Mastercard** has introduced a new Biometric Checkout Program that will enable merchants of all sizes to offer contactless checkout experiences based on facial- or palm-recognition technology.



Walmart plans to roll out Symbotic's supply chain automation system at all 42 of its regional distribution centers.

Automation and the use of robotics in warehouses and distribution centers (DCs) is also now becoming commonplace, and workers are on board. A recent study from **Zebra Technologies** found that **nine in every 10** warehouse operators agree that new technology is necessary to be competitive in the on-demand economy — humans alone simply can't keep up. As a result, the study found that **27%** of warehouse operators have already deployed some form of autonomous mobile robots, and within **five** years that number is expected to grow to **90%**. In fact, **most new DCs being built today are at least partially automated at the outset**, according to Ritter.

Chewy, Walmart, The Home Depot and **The Vitamin Shoppe** are just a few of the retailers that have invested in fulfillment center automation in the last few years. In fact, Walmart just **expanded** its partnership with robotics platform Symbotic to retrofit all **42** of its regional DCs over the next **eight** years.

In addition to using robots to handle repetitive or physically challenging tasks, the Zebra study indicates that warehouse operators are also spending on technologies that support workforce augmentation and workflow automation — think **wearables, mobile printers, rugged tablets** and **mobile dimensioning software** that automates parcel and carton measurements.

One area of retail ripe for automation, but less developed as of yet, is the store shelves themselves. “Labor is getting so expensive that the value proposition associated with **electronic shelf labels** is starting to make sense,” said Ritter. “In the past, [this tech] has been so capital intensive that many retailers haven’t adopted it. But many retailers put out hundreds of price tags and promotional tags a week. To automate that with electronic shelf labels is a huge win in terms of savings from a labor perspective, as well as [for] dynamic pricing and consistent execution, which is one of the biggest challenges in retail.”

Lest you think retail associates will fear the loss of these jobs, Chris Walton, co-CEO of **Omni Talk** pointed out that “the job of putting price labels on shelves is terrible, like one of the worst jobs ever,” he said in an interview with *Retail TouchPoints*. “And also these [automated] systems are now coming with things that make other work easier and more efficient, like the ‘pick-by-light’ capabilities on those e-labels” which help staff pick orders and restock faster. **“That type of technology helps because it makes a job that associates don’t like doing much easier,”** Walton added.

Indeed, many of these automation technologies, rather than replacing existing employees, actually enhance their jobs, removing repetitive, boring tasks and freeing associates up to do more engaging, meaningful work.



RETAINING EMPLOYEES: SALARY MATTERS, BUT COMMUNITY AND FLEXIBILITY ARE THE KEY

When people hear “automation,” their mind tends to jump next to “layoffs,” but in actuality automation of store tasks can actually help retain existing employees: “Ultimately what you’re getting at is increasing productivity of the staff that you do have, and if you’re doing it right, **the engagement level of that staff as well**,” said Walton.

“For many years retailers have used the wage rate as the lever to try to improve employee experience,” noted Ritter. “Frankly, [today’s retail] employees are of a different generation. **Salary matters but community and flexibility — a lot of non-monetary elements of the employee value proposition — have become much more important.**”

Creating community among a set of workers is an intimate task deeply rooted in company culture, but there is tech out there to help. Platforms such as **Zipline**, **Hive** and **Quorso** create spaces where tasks and expectations can be communicated clearly, employees can communicate with one another and employers can reach out for feedback on what they can do better. Ritter likens some of these tools to **“internal social media,”** because they give employees a chance to interact and build a community with one another.

“When you have a platform where your boss can very easily tell you what you need to do, and you can see your priorities in real time, then update your boss on how you’ve taken action against those priorities, that actually is quite engaging,” said Walton.

Some of these tools also offer the ability to easily **swap shifts or find someone to cover** at the last minute, a tool that is also increasingly valuable to retail workers. In fact, some new tech solutions are attempting to expand this beyond a single brand, enabling employees to pick up shifts at a number of different retailers as their schedule allows.

“Many other industries have some form of gig offering and retail, surprisingly, has been behind the adoption curve on that,” said Ritter. “But [there are companies that are] starting to dip a toe in the water in terms of **bringing the gig economy to the retail workforce.**” The startup **Reflex**, for example, touts the ability for retailers to hire “top talent on demand to cover call outs and no shows.”

This is particularly applicable to back-store tasks, because “if they’re simply putting merchandise in boxes and shipping it, or something like that, the ‘brand’ part of the equation becomes much less relevant,” said Ritter.



Prescription robots like this one are freeing up pharmacists for higher-level tasks.

But even front-of-house duties can get “gig-ed out.” “Take Gap, for example — I bet you could, after maybe four or five hours of training, pick up what you need to take a shift at J.Crew,” said Walton. “You’d have to go through the training process, but you could easily get certified in both. I call this ‘**commune retailing**’ — you get trained in both and once you do, that job swap should be fairly easy.”

Another big breakthrough for employees, according to Walton, has been instant paycheck tech from companies like **DailyPay** and **Branch**, which give workers the ability to access their earnings before their normal payday — in some cases as soon as their shift is over. This kind of flexibility in scheduling and pay is crucial for a workforce that, in many cases, doesn’t have access to the remote and hybrid work opportunities that have abounded for office workers since the pandemic.

There are instances where remote work is a possibility for retail associates, and it can create another form of both the flexibility and engagement that today’s employees crave — **virtual customer service**. At the height of the pandemic, with ecommerce sales skyrocketing but stores closed, **Sephora** launched Home Chat — virtual beauty consultations with the same experts who help clients in stores. As stores re-opened the online offering remained popular, which has allowed the beauty retailer to offer its beauty advisors hybrid work schedules. The same is true for customer service agents, who generally have no need to be tied to a physical location, especially as **automated chatbots** increasingly take on the more mundane initial customer queries.

Sephora’s program points to another benefit of automation as well — as mundane tasks like shelving, boxing and labeling get removed from employees’ plates they are freed up to do more valuable, sales-oriented tasks instead. For example, **Walgreens Boost Alliance** has tested out **robots to fill prescriptions** at a Walgreens in Dallas and plans to roll them out at **22** more locations. The robots can fill as many orders in one hour as a traditional pharmacy can do in a full day, and in exchange, the trained pharmacists are freed up to handle time-sensitive orders, controlled substances and customer service, enhancing the role they play in customers’ healthcare.

Kramer of SSA said that employee knowledge is something that more retailers should be tapping into: **“That associate expertise is becoming more and more valuable because of how easy it is to get basic information,”** he said. “This exactly mirrors what happened when ATMs became ubiquitous — the expectation and initial result was a tremendous reduction in the need for tellers, but within [a very short period of time] there were actually more tellers employed and they were paid more. Their role had changed from being somebody who just gave you money to somebody who helped you figure out what you needed.”



“A wise retailer in this shifting environment would take advantage of the fact that expertise is highly distributed. As the percentage of sales that are driven by ecommerce increases, you have to reconsider how you engage in an ecommerce world. [And you have to ask] what is the role of your expert network? The shift there is in thinking of your workforce as less your full-time employees and more your network of experts.”

— Nick Kramer, SSA & Company

Gaining that expert-level knowledge can in itself be an engagement tactic for employees, as appliance manufacturer **Bosch Siemens Hausgeräte** (BSH) proved when it rolled out a **gamified training solution** from Attensi that not only was fun for associates, but also helped boost product knowledge **93%**. The result was a **26.2%** increase in sales.





AUTOMATE AND ENGAGE: HOW TO DO BOTH AT THE SAME TIME

All this automation might mean reduced dependence on humans for repetitive tasks, but it doesn't necessarily mean reduced workforces. **Walmart**, for example, made a point of calling out the fact that the robotics expansion at its regional DCs **would mean new jobs** in the form of cell operators and maintenance technicians.

"Automation doesn't necessarily mean that you're replacing labor," said AArete's Higgins.

"Automation may allow you to do more with less, but statistics show that you don't actually end up with a lower headcount. Rather, you are able to support your future growth with the labor you have, and ultimately that labor needs to shift their functions. The companies that are the most impactful and successful in automation are those that can structure training and enable their people to empower that technology to be successful."

In many cases that shift in function can result in a job that is actually more satisfying for the employee. "Robots work the best on the mundane things that are done the exact same way over and over and over again, [but in many cases retailers] don't take the jobs away when they deploy these," said Walton. "They're just redeploying the workforce — which given the hiring crunch actually makes sense — into work that is more meaningful and more measurable."

The key to introducing new technological efficiencies without risking the ire of your current workforce ultimately comes down to communication, said Higgins. "Ensure that people understand where the organization is going and why these decisions are being made. **Make sure your people understand that they're part of this journey to ultimately create a more successful retailer.** And that journey is contingent on both having technology enable efficiency and having labor to enable the actual technology."

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