RETAILERS TACKLE WORKFORCE CHALLENGES BY EMBRACING NEW TECHNOLOGIES

retail TouchPoints®

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EXECUTIVE SUMMARY

The industry narrative around retail workers is that they're the lifeblood of the store.

Associates are merchants' closest connection not just to individual customers but also local communities. They know local market needs. They have a deep understanding of how stores operate and what challenges need to be addressed. And most of all, they have close, intimate relationships with consumers that drive consistent foot traffic and inspire in-store purchases.

But if the industry knows and acknowledges associates' value, why are they quitting at record rates? *Retail TouchPoints* surveyed **120+** retail executives to find out.

While respondents hail from virtually all retail verticals, including department stores, specialty hardgoods, grocery and more, they unanimously agree on their core store operations challenges: **Creating a space that helps associates feel safe, seen and appreciated**.

Retail executives are responding to this incredibly volatile climate by:

- Increasing their store operations budgets and allocating more funds toward new in-store technology (**62%**).

- Implementing new procedures to minimize and prevent theft (**46%**).

- Embracing mobile technology to support employee training and engagement (**57%**), and to streamline in-store tasks such as mobile payment (**57%**) and task management (**56%**).
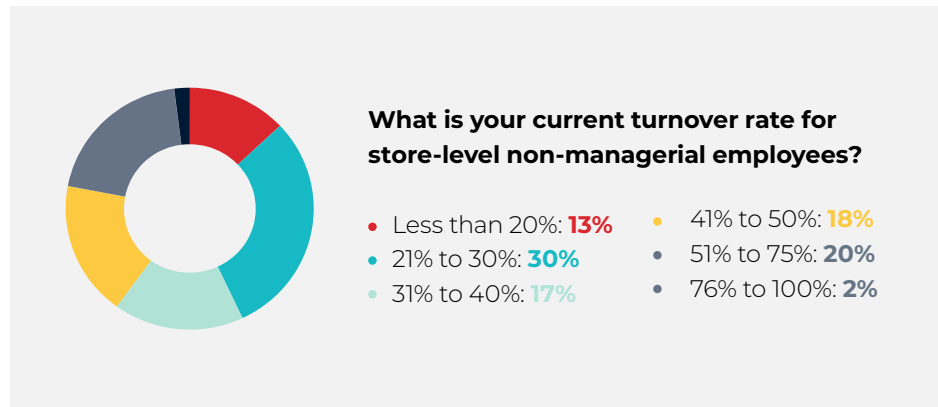
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WORKFORCE RETENTION: A COMMON INDUSTRY CHALLENGE BECOMES DIRE

For the second year, a majority of respondents (**70%**) said that hiring and retaining associates was their top challenge, while slightly fewer (**67%**) cited responding to high employee turnover. Given the heightened buzz surrounding rising associate quit rates, we included this as a new result in this year's survey.

Additional results prove just how significant the turnover problem is for retail this year. In the 2022 iteration of this survey, **20%** of retailers said their turnover rate was less than 20%. That number has dropped to **13%** this year, while turnover rates have undoubtedly increased across the board. For example, more respondents said their turnover rate was in the 51% to 75% range (**10%** in 2022 versus **20%** in 2023).

What is your current turnover rate for store-level non-managerial employees?

- Less than 20%: **13%**
- 21% to 30%: **30%**
- 31% to 40%: **17%**
- 41% to 50%: **18%**
- 51% to 75%: **20%**
- 76% to 100%: **2%**

As a result of new retention realities, more than half (**53%**) of respondents said that employee training and empowerment was a top priority for them. Additionally, due to heightened employee turnover and volatility in stores, more respondents this year said that associate scheduling was getting increasingly complicated (**52%** in 2023 versus **37%** in 2022). Retailers also have had to respond to more cases of theft or shrink (**46%**) — a problem that has always existed for store operators but has reached a **new level of concern** in 2023.

On a brighter note, retailers are seeing marked improvements in their fulfillment operations, with fewer saying managing curbside and BOPIS orders presented a challenge. In 2022, **46%** said managing curbside operations was a challenge, while only **32%** said the same this year. Likewise, **36%** said BOPIS was an issue in 2022, while only **29%** said the same this year.

What are your top store operations challenges in 2023?
Respondents selected their top five challenges.

Hiring and retaining associates **70%**

Responding to high employee turnover **67%**

Employee training/engagement **56%**

Employee scheduling **52%**

Inventory management **50%**

Minimizing theft/shrink **39%**

Product merchandising **38%**

Managing product returns **37%**

Managing curbside pickup operations **32%**

Maintaining safety protocols **31%**

Managing expanded BOPIS operations **29%**

What are your top challenges/priorities in managing your store-level workforce?
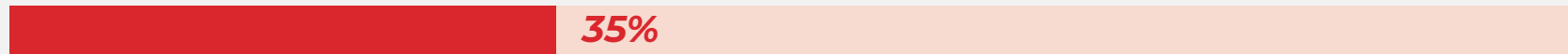
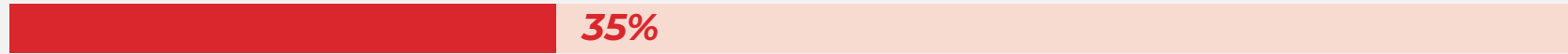Employee training and empowerment
53%

Reducing theft/shrink
46%

Measuring employee performance
38%
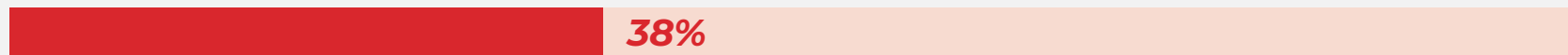
Decreasing turnover
35%

Scheduling
35%

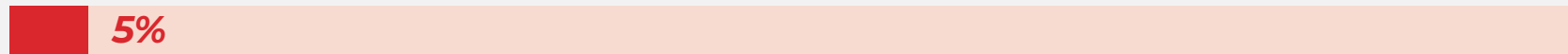Matching staffing to demand
32%
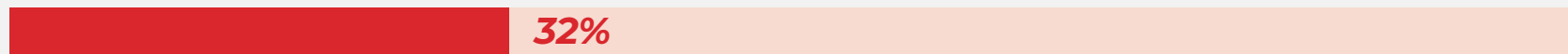
Forecasting labor costs
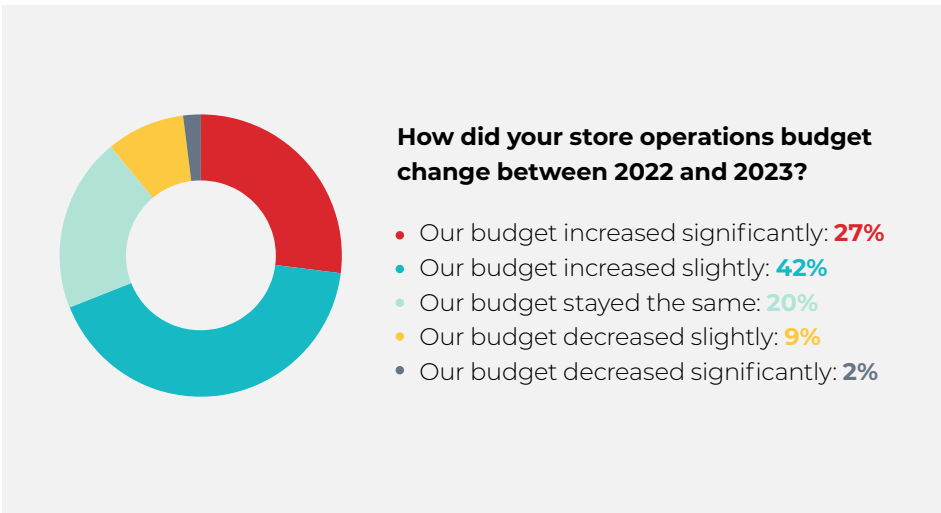**29%**
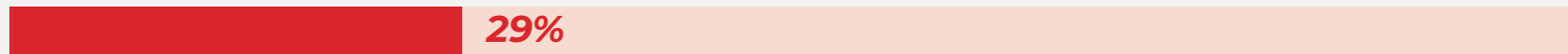
Enforcing safety mandates
28%
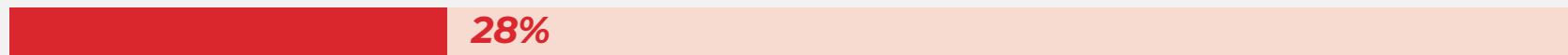
Providing visibility across stores and regions
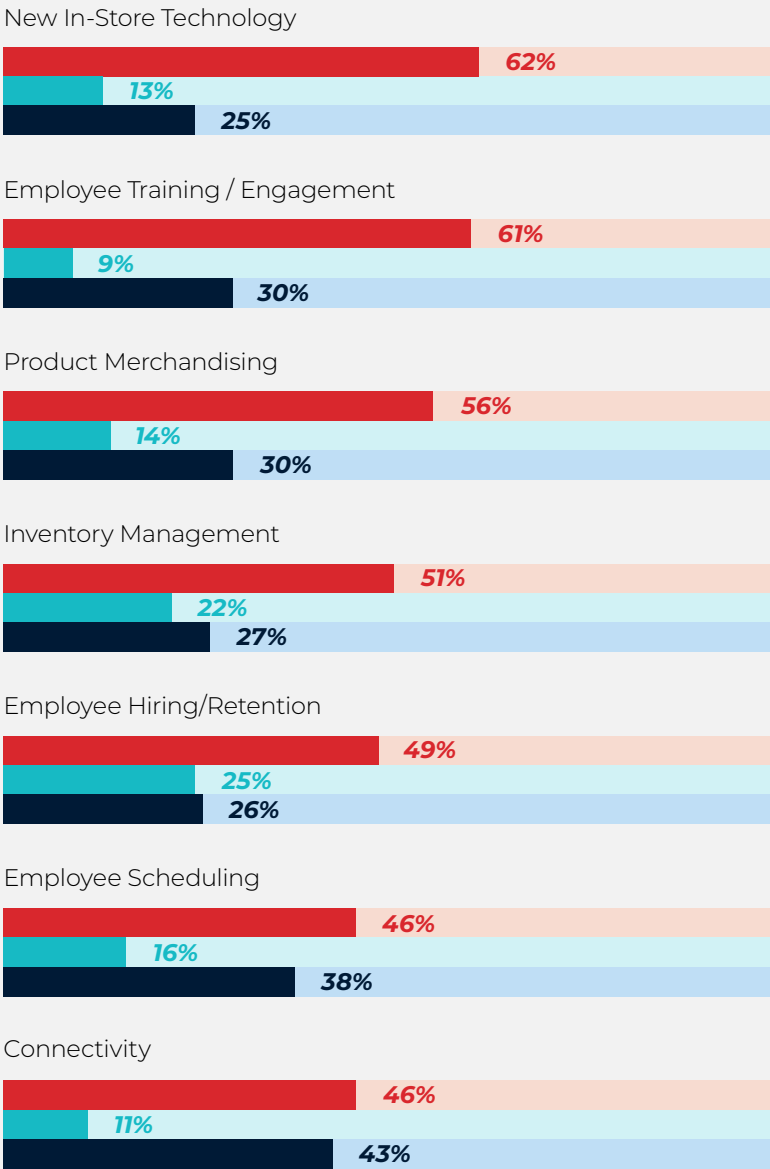**5%**

PUTTING MONEY WHERE IT MATTERS

Many retailers have spent 2023 getting their financials in line. That means they have assessed their spending, focused on the fundamentals of their business and invested in tools and technologies that will have a measurable impact on operational efficiency and performance. And given the tough working environment of many stores, retailers are investing more in their people.

In fact, more than two-thirds of respondents (**69%**) saw their store operations budgets increase in some way over the past year, with most of their budget going towards new in-store technology (**62%**) and employee training and engagement (**61%**).

How did your store operations budget change between 2022 and 2023?

- Our budget increased significantly: **27%**
- Our budget increased slightly: **42%**
- Our budget stayed the same: **20%**
- Our budget decreased slightly: **9%**
- Our budget decreased significantly: **2%**

Did your store operations budget increase, decrease or stay the same in each of the following categories?

Increased   Decreased   Stayed the same

New In-Store Technology
- 62%
- 13%
- 25%

Employee Training / Engagement
- 61%
- 9%
- 30%

Product Merchandising
- 56%
- 14%
- 30%

Inventory Management
- 51%
- 22%
- 27%

Employee Hiring/Retention
- 49%
- 25%
- 26%

Employee Scheduling
- 46%
- 16%
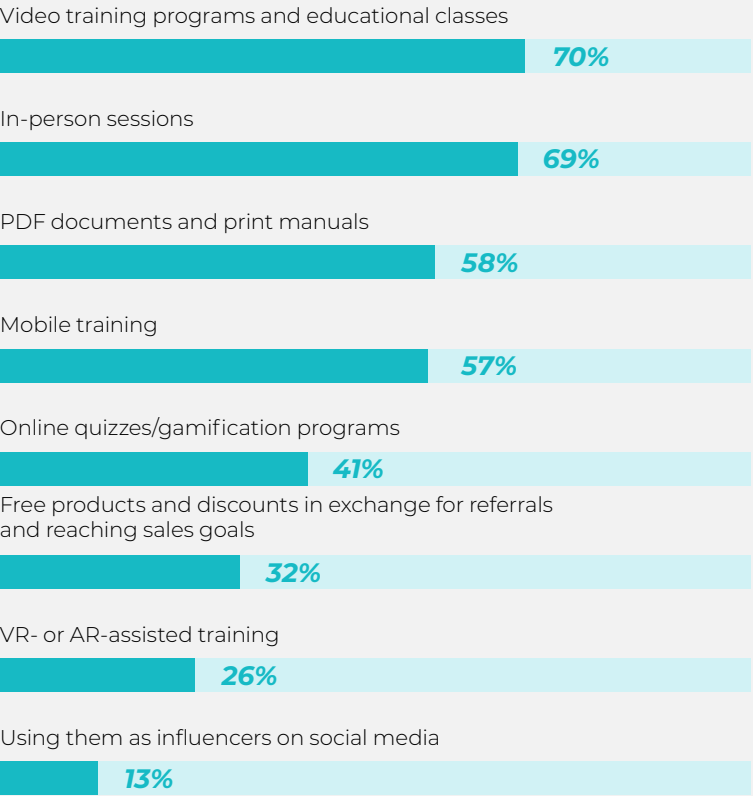- 38%

Connectivity
- 46%
- 11%
- 43%

Year over year, we also have seen shifts in employee training and engagement tactics to better align them with workers' desire for digital technology that gives them access to tools and information that help them do their jobs better.

Across the board, more respondents are investing in various digital training formats, including video training courses (**67%** in 2022 versus **70%** in 2023), online quizzes and gamification programs (**33%** in 2022 versus **41%** in 2023), and even VR- or AR-assisted training (**15%** in 2022 versus **26%** in 2023). Unsurprisingly, the most significant adoption increase was seen in mobile training tools (**40%** in 2022 versus **57%** in 2023).
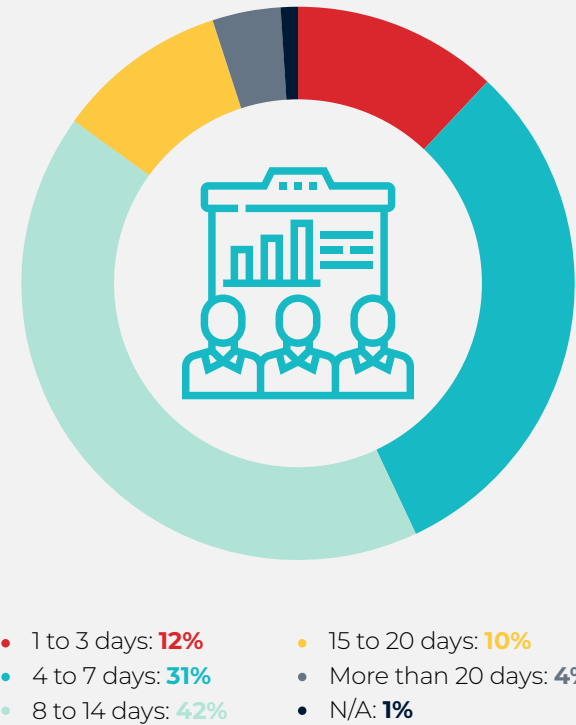
Mobile training tools are increasingly becoming "super apps" that include educational content, videos and resources, as well as community feeds that connect stores to HQ (and each other), shift-swapping functions, mobile wallets and more. As more members of Gen Z and Gen Alpha enter the workforce, retailers need to ensure they're offering the tools they need to be informed and engaged with their work.

What types of training and engagement programs do you provide to employees?

Respondents selected all that applied

Video training programs and educational classes
70%

In-person sessions
69%

PDF documents and print manuals
58%

Mobile training
57%

Online quizzes/gamification programs
41%

Free products and discounts in exchange for referrals and reaching sales goals
32%

VR- or AR-assisted training
26%

Using them as influencers on social media
13%

On average, what is the minimum amount of training time you allocate on an annual basis for in-store employees? (Not including onboarding times)

- 1 to 3 days: **12%**
- 4 to 7 days: **31%**
- 8 to 14 days: **42%**
- 15 to 20 days: **10%**
- More than 20 days: **4%**
- N/A: **1%**

HOW CLIENTELING TECH HELPS BOGGI MILANO PERSONALIZE IN-STORE EXPERIENCES

Boggi Milano is an Italian menswear retailer with **190** stores in **38** countries. The brand offered an omnichannel retail experience, but the pandemic pushed its need to evolve and adopt a more personalized approach to retailing. That meant implementing a clienteling solution that would automate processes and create more seamless, consistent customer experiences to help build stronger relationships and brand loyalty.

A Solution to Leverage Omnichannel Customer Insights

Boggi Milano partnered with **Tulip** to introduce an integrated clienteling solution. It gives Boggi Milano store associates a 360-degree view of their customers' order history and personal preferences, and it provides them with all the tools they need to be proactive about outreach and personalized customer communications.

Boggi Milano store associates now have more visibility and control over sales. They're monitoring customer buying habits, sending tailor-made proposals and nurturing their customers' ongoing relationship with the brand. Store associates are maintaining connections with customers while also offering enhanced services that drive engagement and conversion.

Clienteling Opens the Doors to Personalization and Growth

The implementation is working: The percentage of sales influenced by Tulip is growing significantly and in the last survey, **nine months** after launch, sales had grown **27%**.

Personalization has had a positive impact on Boggi Milano's customer experience. Store associates now have intuitive, easy-to-use tools at their fingertips to help them maintain and build connections remotely, even when stores are closed. Customers are recognizing and appreciating the company's investment, and this is helping to strengthen customer relationships.

Store associates are now able to remain connected to customers through email and instant messaging. They can send personalized customer communications, which has led to more phone calls, orders and appointment booking requests.

Boggi Milano has improved the shopping experience and created more meaningful relationships with its customers. Store associates can now follow up, ensuring customer satisfaction while strengthening engagement with the brand. They can provide high-level service with a personalized sales approach based on the needs of the customer.

Schedule a demo to learn how Tulip can help your store associates deliver enhanced customer experiences.

FOR TODAY'S ASSOCIATES, MOBILE MATTERS

Over the years, we've seen retailers gradually adopt mobile technology to improve associate efficiency and effectiveness. But it appears that this year, mobile technology has officially become core to the store operations toolkit.
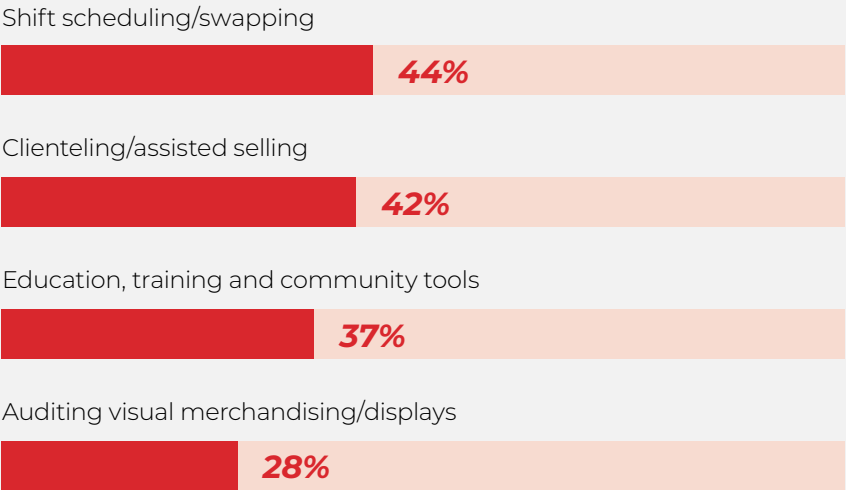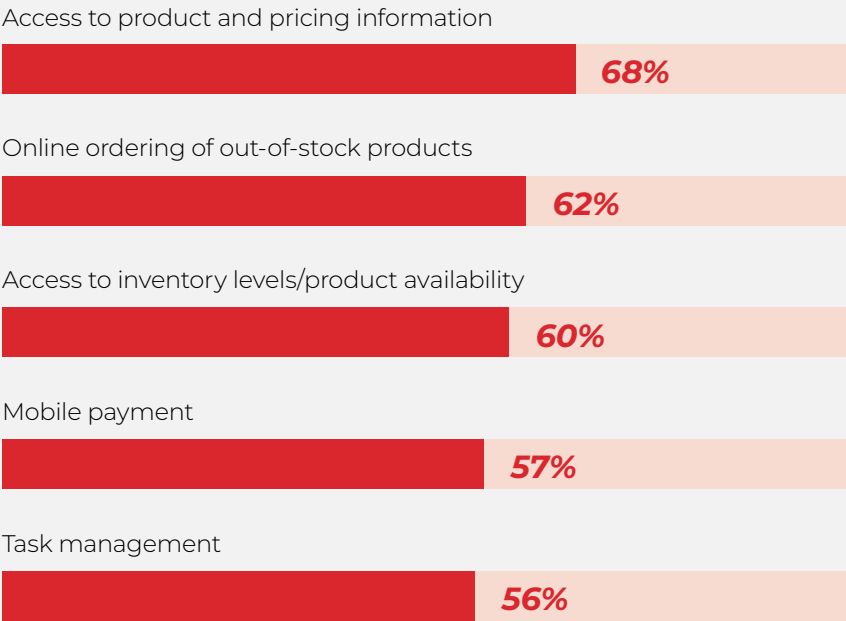
Last year, **71%** of respondents said they armed associates with mobile devices, and that number has swelled to **82%** this year. There also has been increased usage of certain capabilities, such as online ordering of out-of-stock products (**54%** in 2022 versus **62%** in 2023); access to inventory levels and product availability (**57%** in 2022 versus **60%** in 2023); and shift scheduling/swapping (**25%** in 2022 versus **44%** in 2023).

To fully understand the breadth and depth of mobile capabilities offered, we revised our responses to be more granular. For example, we were able to see that **56%** of retailers offer mobile-based task management solutions and **37%** offer mobile-based education, training and community tools. Last year, when these technology capabilities were lumped together they represented only **37%** of responses.

As a result of these investments, retailers have seen associates be more productive and engaged in their work, and more empowered to increase customer cross-sells, upsells and overall loyalty.

What functions are store employees performing using mobile devices?

Respondents selected all that applied

Access to product and pricing information
68%

Online ordering of out-of-stock products
62%

Access to inventory levels/product availability
60%

Mobile payment
57%

Task management
56%

Shift scheduling/swapping
44%

Clienteling/assisted selling
42%

Education, training and community tools
37%

Auditing visual merchandising/displays
28%

How have you benefitted from arming store employees with mobile technology?

Respondents selected all that applied

Improved employee productivity

59%

Increased upsells and cross-sells

50%

Improved employee job satisfaction

46%

Improved employee education/training

45%

Increased customer retention and loyalty

44%

Increased basket size

37%

More "saved" sales

35%

Increased customer satisfaction

35%

Increased average order value

33%

HOW RETAILERS ARE EMBRACING TECHNOLOGY TO BALANCE EFFICIENCY AND ENGAGEMENT

Q&A with Erin Feeney, Chief Product Officer, InContext

Retail TouchPoints (RTP): *What are a few of the biggest pain points faced by retailers and brands in today's industry landscape?*

Erin Feeney: As we know, the business of retail is an ever-growing, ever-changing and ultra-competitive landscape. But when we look at some of the issues facing retailers and manufacturers, there are a few specific pain points that many in the space are trying to tackle to gain an edge.

One is just the rising cost of operations. While revenue might be up for many, revenue doesn't equal profits. Companies are struggling to maintain profitability when the costs of labor, transportation, supply chain logistics, employee retention and inventory management are at an all-time high.

Going along with that, as this survey aims to understand, there's the issue of inefficiency. Retailers and brands have to think about how they can work to become more streamlined in their day-to-day operations, which helps address the rising cost issue above.

And lastly, the changing customer is a challenge. The ways they find products, interact with brands and shop continue to change as technology evolves. When TikTok is how many people learn about new products, CPGs and retailers need to start thinking differently.

RTP: *What are the most interesting ways retailers and brands are trying to adapt?*

Feeney: Obviously, emerging technology has become a huge part of how we can tackle some of these issues. Some are pretty standard: many retailers and brands are expanding their online presence and improving their ecommerce and omnichannel experiences. But the ways in which they are doing this are getting very cool.

Personalization is a huge tool for bringing awareness and engagement to the shopper. Companies are increasingly using data analytics and AI-driven technologies to understand customer preferences and offer personalized shopping experiences. Personalized product recommendations, content and promotions are becoming more common. Technology like augmented reality (AR) helps consumers shop online more easily, while virtual and mixed-reality experiences are being leveraged by some of the biggest brands, like Nike.

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From a store planning and operations point of view, forward thinkers in the space understand that technology such as virtual reality and AR are not just consumer-facing. Digital twin technology has become a fast, cost-effective way to gain insight into shopper behavior and preferences and visualize in-store concepts. AR is a tool we provide to help field sales teams better sell in displays and marketing collateral to retailers, or as a way to validate and verify planogram implementation from HQ down to the store level.

RTP: **What do you think are the fastest growing tech solutions in this space?**

Feeney: Artificial intelligence is growing exponentially. While there is still quite a bit of trepidation and uncertainty with this technology category as a whole right now, when it comes to retail efficiency, AI has already proven to be a game-changer in retail. Robotics are helping with inventory management, while automated fulfillment centers are becoming more common for online orders. This improves efficiency and reduces labor costs. Down the line, we see AI as a way to help facilitate faster and more accurate shopper insights.

But I see AR as the real star of the show. I think it will soon be ubiquitous when it comes to many facets of retail. AR in retail refers to the overlay of digital information and virtual elements into the physical shopping experience or store space. It's intuitive, impactful and only requires a mobile device to use, which is something we all have within reach 24 hours a day.

RTP: **Let's talk more about AR. How does this technology benefit retailers?**

Feeney: AR benefits retailers in several ways. It provides an interactive and immersive shopping experience for consumers. I mean, it's fun! It's also helpful. How many of us have used AR to place a new piece of furniture to see how it will look and fit? AR can be used to navigate the store or for interactive marketing campaigns. There's a ton of potential when it comes to the uses of AR for consumers, which then translates to better brand recognition and loyalty.

But it's also changing retail execution strategies. InContext's AR app, SMX GO, helps retailers and field teams to better visualize in-store marketing displays and signage. They can easily swap out displays to see what will fit and look best. They can overlay planograms to verify accurate execution and determine what might be out of stock or placed incorrectly. New planograms can be sent down from HQ directly into the app, and field sales associates can access this information while in the store. By eliminating errors and moving faster, AR is helping companies drive incremental revenue.

RTP: **What is the outlook for AR in the retail industry?**

Feeney: It's very promising. We'll see wider adoption, more advanced features and better visualization, seamless integration with ecommerce, and it will provide valuable data-driven insights into customer behavior and preferences. AR has the potential to reshape the retail landscape.
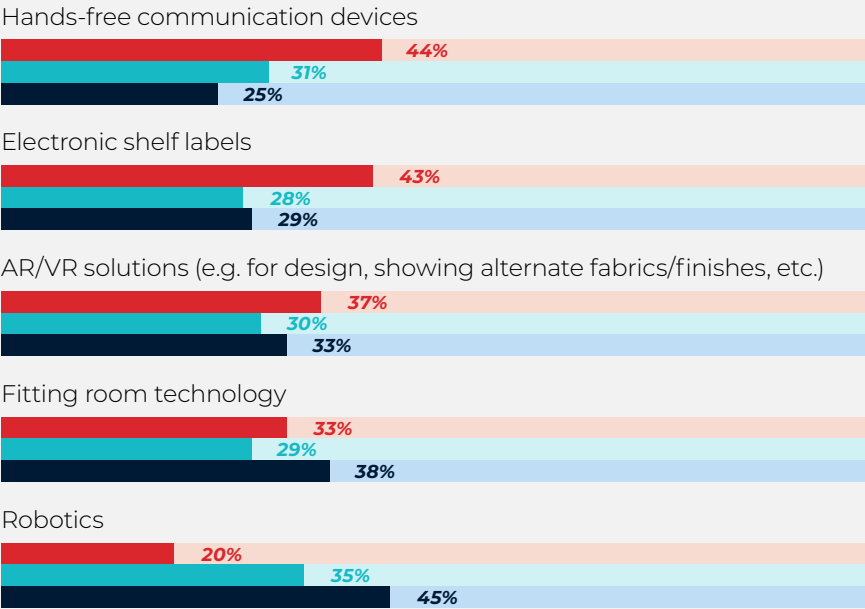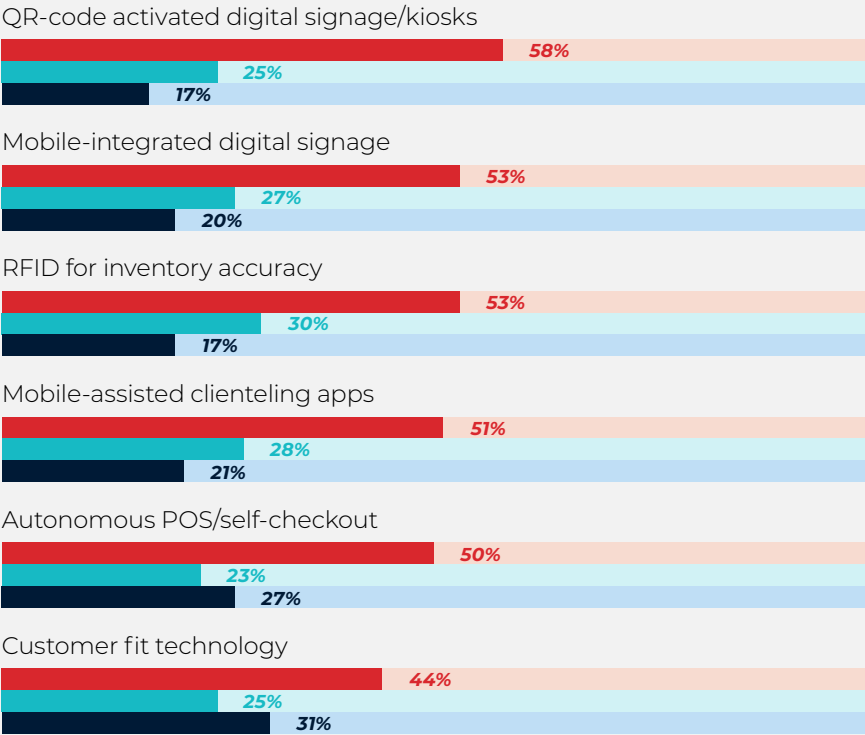
MORE ROBUST TECHNOLOGY ECOSYSTEMS ALLEVIATE ASSOCIATE PRESSURES

In the *Retail TouchPoints 2023 Store Design & Experience Survey*, results showed that retailers are thinking more intentionally about the technology they use in stores. Rather than investing in bells and whistles that drive PR and media clicks, they're focusing on technology that solves pain points for customers and associates alike.

This survey's results reaffirm this reality, with more retailers adopting technology that supports operational excellence. For example, **47%** of respondents last year said they had already implemented QR-code activated digital signage and kiosks. That number has increased to **58%** in 2023. Similarly, while only **31%** of 2022 respondents said they had mobile-assisted clienteling apps in stores, **51%** had them this year. In fact, all technology categories saw a rise in adoption year over year.

What other technologies do you utilize within your stores?

- ■ Have now
- ■ Plan to add within the next 12 months
- ■ No plans to add

QR-code activated digital signage/kiosks
- 58%
- 25%
- 17%

Mobile-integrated digital signage
- 53%
- 27%
- 20%

RFID for inventory accuracy
- 53%
- 30%
- 17%

Mobile-assisted clienteling apps
- 51%
- 28%
- 21%

Autonomous POS/self-checkout
- 50%
- 23%
- 27%

Customer fit technology
- 44%
- 25%
- 31%

Hands-free communication devices
- 44%
- 31%
- 25%

Electronic shelf labels
- 43%
- 28%
- 29%

AR/VR solutions (e.g. for design, showing alternate fabrics/finishes, etc.)
- 37%
- 30%
- 33%

Fitting room technology
- 33%
- 29%
- 38%

Robotics
- 20%
- 35%
- 45%

MEASURING OMNICHANNEL PROFITABILITY AND PERFORMANCE

Last year, survey results uncovered that retailers' metrics for store success were beginning to change, and we're seeing that move — from siloed, store-focused metrics to an omnichannel view of profitability and performance.

Let's look at online-to-store conversion rates as an example. While only **33%** used this KPI in 2021, it has steadily climbed in prominence, from **42%** in 2022 to **45%** in 2023. This year, we're also seeing more respondents look beyond customer satisfaction surveys, which dropped from **64%** in 2022 to **55%** in 2023; and more toward qualitative reviews and comments shared by customers via website and email (**36%**) as well as social media (**35%**).

Related to issues regarding associate turnover and shrinkage, more retailers are measuring the amount of breakage and/or loss year over year (**25%** in 2022 versus **38%** in 2023).

Now more than ever, retailers know that consumers' in-store experiences have a longtail effect on their brand engagement and loyalty. One negative interaction can turn into a lost customer; and one video showing theft in a store can turn into a viral campaign around a retailer's lack of attention (and investment) in store safety.

Retailers are charting a course for profitability and performance by augmenting their stores with the tools and technologies designed to tackle these issues and support all members of the store community — from managers to associates and, of course, customers.

What are your most effective ways to measure store performance? Respondents selected all that applied.

Respondents selected their top five metrics

Increase in year-over-year store revenue
65%

Customer satisfaction surveys
55%

In-store conversion rates
54%

Same-store sales
52%

Foot traffic
50%
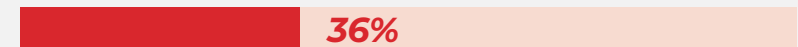
Online-to-store conversion rates
45%

Employee satisfaction surveys
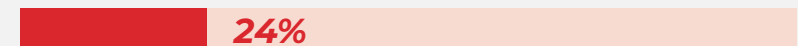**42%**

Amount of breakage and/or loss
38%
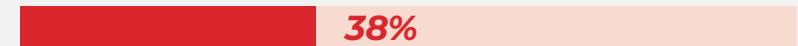
Reviews/comments on company web site or via email
36%

Reviews/comments on social channels
35%
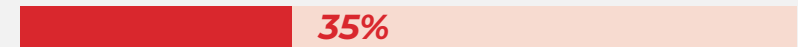
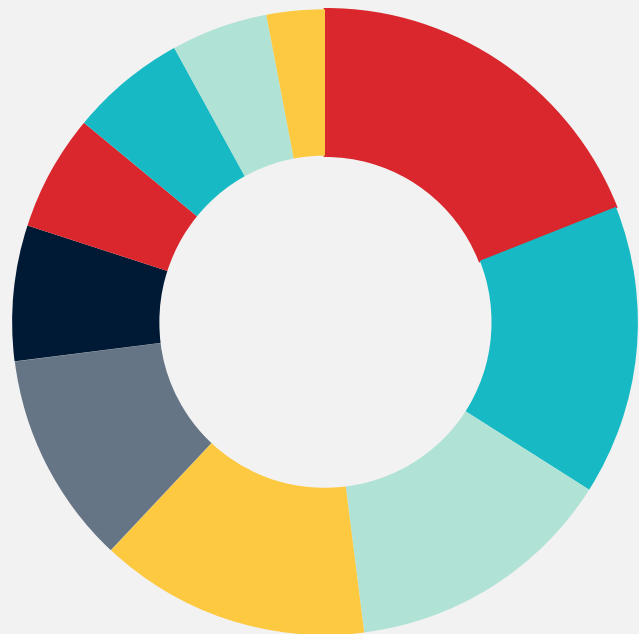Dwell time in aisles/overall store
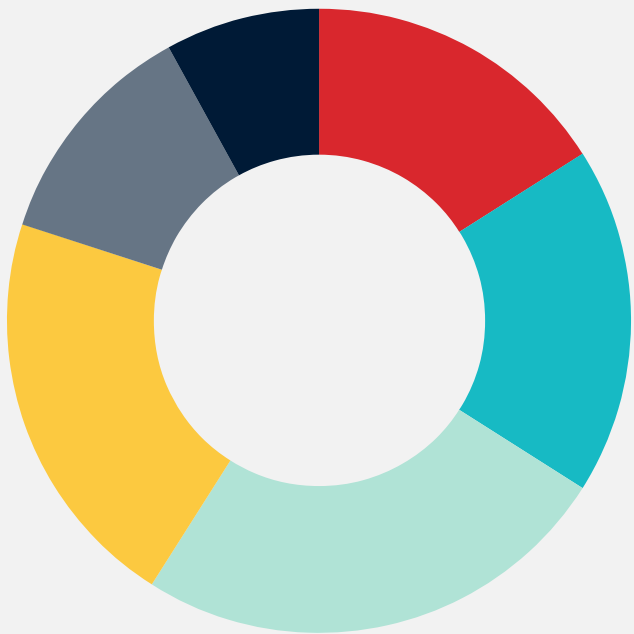**24%**

Call center queries
5%
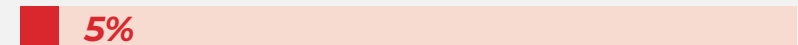
SURVEY DEMOGRAPHICS

Retail Vertical

- Department Store: **19%**
- Specialty Hardgoods: **15%**
- Supermarket/Grocery: **14%**
- Big Box: **14%**
- Convenience Store: **11%**
- Drug Store/Pharmacy: **7%**
- Specialty Softgoods: **6%**
- Other: **6%**
- Electronics: **5%**
- Office Supplies: **3%**

Annual Revenue

- Less than $50M: **16%**
- $50M-$100M: **18%**
- $100M-$500M: **25%**
- $500M-$1B: **21%**
- $1B-$5B: **12%**
- More than $5B : **8%**

Tulip

Tulip provides a suite of cloud-based solutions that power the modern store experience. Partnered with Apple and Salesforce, Tulip equips sophisticated retailers to build connections with customers, fulfill orders, checkout purchases, and optimize operations in order to create the end-to-end experience modern customers expect. Leading retailers like Mulberry, Saks Fifth Avenue, Indigo, Kate Spade, Purolator, and Michael Kors use Tulip to elevate the shopping experience, increase sales, and improve customer service across channels.

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InContext

InContext is the global leader in 3D simulation software & virtual market research methodologies for retail. In a time when tech-savvy shoppers are leading the charge for innovation, we're dedicated to providing retailers and brands with faster, more cost-effective methods for taking new concepts to market—and ultimately enhancing the shopper experience.

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Retail TouchPoints and design:retail give all members of the retail world access to a vibrant community that combines insights, inspiration and opportunities to interact with their peers. We sit at the intersection of the art and science of retail strategy, providing granular data, high-value commentary, and aspirational success stories to help readers optimize customer experiences across all channels. Touching all facets of the retail ecosystem, including store experience and design, workforce management, digital marketing and engagement, and omnichannel optimization, our editorial content, multi-media resources and events take timely news and trends and transform them into tactical takeaways that meet the unique needs and priorities of our executive readers.

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