



Post-Pandemic Retail: Retail Leaders' Plans and Predictions for the Industry

As lockdowns ease, what does the future hold for physical retail? And how can retail businesses best support their workforce?



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Introduction

The retail industry was one of the hardest hit by the pandemic. In 2020, retail sales volumes fell by 1.9%¹ compared with 2019, representing the largest annual fall on record. These falls were particularly sharp during the national lockdowns; retail sales volumes began falling quickly in March 2020 and by April total retail sales volumes were 19% lower when compared with February levels. Alongside this, almost 190,000² UK retail jobs have been lost since the pandemic began.

With non-essential retail closed and consumers staying at home, the pandemic forced consumers to shop online, accelerating the shift to e-commerce. Even between lockdowns, many consumers continued to shop online due to the increased convenience and the decreased risk of exposure to Covid-19; overall, online sales rose to a record high of 33.9%¹ as a share of all retail spending in 2020. There was another spike after the second November lockdown in England, which was the fastest lift since October 2018 and continued in above average rates throughout December, signalling the wider ongoing shift to online shopping.

The UK high street, already under pressure even before the pandemic, saw widespread store closures, including Oasis, Debenhams, and Arcadia Group, the high street fashion empire of Philip Green. Household names like John Lewis and Marks & Spencer have announced store closures too, indicating that the pandemic has accelerated the so-called 'death of the high street'.

Adding to this sea of change comes the rise of fast fashion sites, which cater to a culture of instant gratification. Boohoo, for example, added 722 new garments to its site in just one week³. This speed of turnaround is out-competing many retailers, while others are looking at how they could, and if they should, adapt to this environment.



It isn't all doom and gloom, however. Almost half (47%) of large retailers stated that they are planning to hire more people this year, and at the same time, business leaders are reimagining how retail spaces could look and be used. Some retailers are working together to create new experiences, and also using technology to bring exciting and immersive elements to shoppers, improve convenience and choice in-store, and improve the customer journey. Among our research detailed in this report, the majority (79%) of retailers said they plan to implement more technology solutions in 2021, suggesting digital transformation is a key priority. It won't just be in-store technology either. When asked which technologies will be most important in 2021, retailers consider HR and workforce management technology equally as important as e-commerce solutions.

In terms of consumer behaviour, the pandemic has given rise to more local, independent shopping among those no longer commuting to work. People rallied to support local businesses during the pandemic and were reluctant to travel far, creating more interest in local artisan and organic products, and facilitating tailored shopping experiences.

The home-working trend has also seen people purchasing more furniture and garden products to fit with an increased focus on health and wellness, and with people spending more time in their homes.

These consumer behaviour changes will also change retailers' staff needs going forward, with the research indicating a number of challenges around workforce scheduling, communication, types of staff required, and more. At the same time though, the combination of Brexit and the pandemic has made hiring more difficult in the first place, and retailers will need to compete to attract and retain the best talent, and to ensure staff feel safe to come to work.

With all of this change, what will retailers' priorities be going forward, and what technology will be used to bring us towards the retail landscape of tomorrow? These are the questions we have sought to answer with this report, showing the path forward for UK retail businesses and how the future of in-store retail is changing - not diminishing. The report summarises the key trends across three key areas of retail: HR and personnel challenges, digital transformation, and the future of retail, and shows that retail businesses must invest in the right technologies to improve their workforce management, strategy, operations, and behaviours to keep pace with the rapid changes occurring in the industry.

79%

of retailers
plan to implement
more technology
solutions in 2021



Retailers consider
**HR and workforce
management**
technology equally
as important
as e-commerce
solutions

Methodology

This whitepaper is built on insights from a survey of 251 HR, digital transformation, finance and operations decision makers at senior manager level or above in retail sector firms of 500-6,000 people. The survey was conducted by Fourth in collaboration with Censuswide in April 2021.

Businesses with 500-999 employees will be referred to as small retailers/businesses throughout this report, while those with between 5,000-6,000 employees will be referred to as large retailers/businesses.



HR and Personnel Challenges:

Retailers must prioritise employee safety and wellbeing to retain talent

Retail employees have been some of the most impacted workers in the country during the pandemic, facing huge rates of redundancy and furloughing. The major shakeup of these employees' lives has created further ripple effects too. Many people are leaving the sector for career changes, some are returning to work after a year on furlough and having to be re-trained, many are nervous about whether it is safe to work, and plenty will be feeling unsure about whether their role is safe for the long-term.

These factors create big challenges for retailers in how they attract talent, plan their workforce, and engage and retain great performing people.

Brexit impact on talent acquisition

Prior to the pandemic, retailers' main HR concerns would likely have centred around the government's legislative increases to the National Living Wage, competition for the best workers (particularly with a diminishing talent pool due to Brexit), a shortage of skilled team members, and the churn of labour. Our data reveals that talent shortages following the UK's departure from the EU remains a key concern with one in three retail leaders stating it's more difficult to find qualified candidates. Among the different kinds of retail businesses, attractions-based retail businesses were most concerned by this (38%), followed by clothing retailers (35%), and automotive retailers (33%).



Clear communication on safety

While historic challenges remain, the pandemic has also created new ones – particularly around health and safety. Indeed, half (50%) of retail leaders in companies of 4,000-4,999 people say that their employees have asked for more company communication regarding safety measures during the pandemic, demonstrating that such policies will be front of mind for workers for some time.



TOP OPERATIONAL CHALLENGES RETAILERS FACE



Communicating consistently with staff



Ensuring staff feel safe and comfortable coming to work

Our data shows that the top operational challenge that retailers face is communicating consistently with staff (27%). Ensuring staff feel safe and comfortable to work is another key challenge (26%), for larger retailers in particular (35%). These challenges emphasise the need for strong communication through simple, convenient mobile tools that enable employee self-service.

With the road out of the pandemic still uncertain, retailers will need to reconsider how physical store space is used, ensuring social distancing is possible, and sanitation and hygiene measures are improving. They also need to invest in workforce management technology to ensure the business can flex to deal with staff shortages at speed when employees must self-isolate.

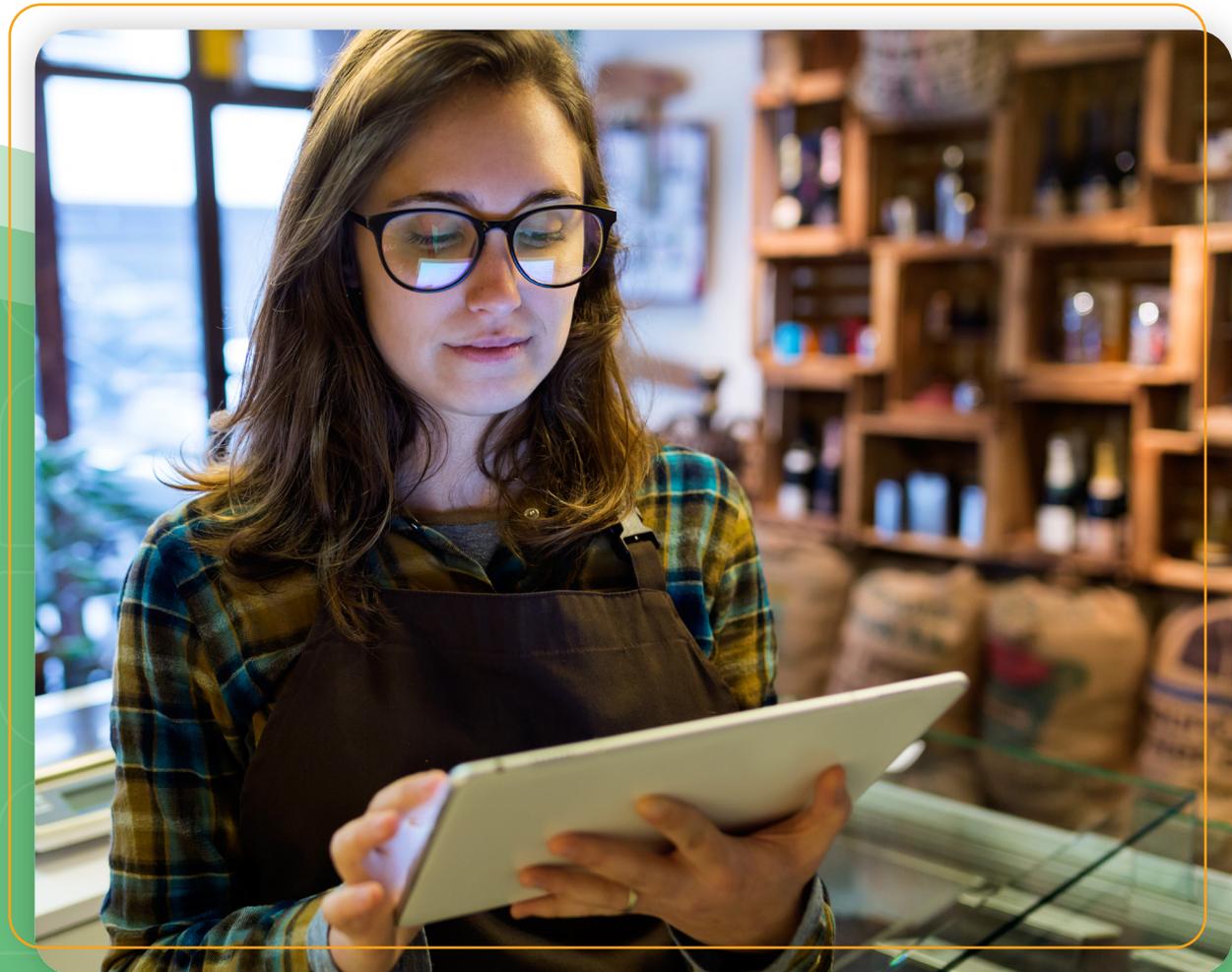
At Fourth, we have recognised the importance of health and safety across the workforce by developing an in-app survey for team members to declare they are well and able to work ahead of starting their shift. These submissions feed through to our scheduling solution, showing managers the team members who are well to work and who hasn't completed the survey. In having this data, managers can confidently assign workers to shifts effortlessly and with less worry, while retail workers can know that their employers are invested in their wellbeing.

Furlough complications on payroll and scheduling

Retailers have had to adapt quickly to a decreased yet unpredictable demand for the in-store experience, and a corresponding need for fewer or differently skilled staff.

The government's furlough scheme has further complicated the situation for employers, who must now keep track of those workers being paid a furloughed wage or returning from furlough for the first time. Many also need to employ more temporary staff to fulfil changing demand in an environment where staff may be required to self-isolate and swap shifts at short notice.

Our data shows these are real concerns among UK retailers. Two in five (43%) of small retail businesses cite implementing and managing flexible furlough practices as one of their top operational challenges this year, compared to 31% of retailers more broadly. Likewise, retail leaders say their biggest personnel challenge is capacity planning and ensuring they have enough staff to maximise sales and shopper experience (26%), with this being an even bigger challenge for small retailers (37%). Furlough creates added complexity for payroll teams too, and more than a third (37%) of retailers are concerned about managing payroll accurately due to changes in shift patterns.



Attracting talent

Despite job losses during the pandemic, the outlook is broadly positive for retail. Only 16% of retail leaders said they expect to reduce their workforce in 2021, while 47% of large retailers are likely to hire more employees this year.

However, with retail employees having faced huge amounts of uncertainty around their jobs over the past year, business leaders must create a culture that responds to this ambiguity with clear, quick communication regarding rotas that incorporate agile hours.

Many retail leaders are worried about attracting talent after such a difficult year.



The hardest part about hiring talent in 2021 will be **finding candidates that will stay in their role long-term** (35%) - a concern that's greater among small retailers (46%).



A third (33%) are also concerned about attracting candidates to apply for roles, and 31% are **worried about hiring the best candidates before competitors do**.



For larger businesses, **offering competitive salaries is a top concern** (50%), while 30% see finding candidates with retail experience as a key challenge.

These concerns may also explain why 31% of retailers also plan to add more employee benefits to employee contracts, to further improve their attractiveness to candidates and ensure candidates feel secure in their role.

To alleviate these concerns, our applicant-tracking system (ATS) can be a major help to HR teams in finding the most qualified candidates, allowing them to search, filter, screen, and manage candidates with a single, intuitive dashboard so everyone knows where they are and what to do next. Applicants are also immersed in your company culture from the moment they apply, with fully branded content and communications, while hiring managers can safely decentralise recruitment with access-driven permissions that give them a 'safety net'. Retailers can quickly show vacancies, streamline the interview process, maintain compliance, and eliminate paper-based processes.

Transparency and employee wellbeing

With the ever-changing environment, workers have new needs. Our data finds that 41% of retailers have experienced workers asking for mobile visibility and access to shifts (with the ability to change and swap shifts), access to training and upskilling materials (36%), and access to wages/ furlough pay before pay day (35%). Businesses should prioritise transparency and put in place clear technology-based lines of communication with employees so they are aware of their shifts, can change them at short-notice quickly and easily, and feel valued through investment into upskilling and training.

With the FCA reporting⁴ in February that the number of UK adults with low financial resilience has increased from 10.7 million to 14.2 million, financial wellbeing will be a key concern for employees and employers alike. Retailers should consider financial wellbeing platforms that can better support employees. The platform offered through Fourth and Wagestream's partnership allows workers to access, track and save their earnings in real-time, thereby preventing people from having to rely on predatory forms of credit. This can all be managed through the smartphone app, making it simple and accessible for workers.



Digital Transformation:

Bricks-and-mortar retail will rely on technology to stay competitive

The pandemic has accelerated digital transformation across the retail industry. Companies with scalable digital capabilities and infrastructures have been better able to adapt, while many have needed to rethink and future proof their digital commerce strategies. With unpredictable demand for bricks-and-mortar retail, retailers must now determine which channels they need to facilitate digital commerce, such as website capabilities, partnership channels, social platforms for engaging with customers, chatbots for customer service, or data analytics to better understand customer needs.

With data⁵ indicating that consumers are likely to maintain behaviours they adopted amid lockdowns, including more online shopping, retailers need to reimagine the customer experiences they provide both in-store and online. To adapt, retailers are seeking to understand how the future of work will look and what kinds of workers will be required as the industry changes. For example, there is likely to be less demand for cashiers, but a greater need for customer service, problem-solving, and technology skills.

Retailers have to be able to scale based on flexes in demand and seasonal requirements, and be quickly able to reduce costs, streamline staffing and make strategic workforce decisions through accurate insights. Retail managers should focus on differentiating from the competition, and improving productivity by reducing the admin associated with payroll and labour management. So how many retailers are adopting technologies to adapt their retail offering and workforce management?



Majority of retailers will implement more tech this year

Our data finds almost eight in ten retailers (79%) plan to implement more technology solutions in 2021, as leaders seek better data and analytics from their technology solutions. This number increases to a whopping 94% among larger businesses, while white goods retailers (95%) are the most likely to be exploring new technology solutions among types of retailers, followed by automotive (88%) and attractions (88%).

More than a third (37%) of retail leaders believe they will implement more in-store technology in 2021, while 35% plan to invest in more back-office operational technology to automate processes and spend more time analysing data to identify efficiency savings.

When it comes to how the traditional technology stack is evolving, 64% of retail leaders are exploring new solutions. However, larger retailers (88%) are more likely to revert to their old practices – indicating that bigger brands already made technology investments before the pandemic. Pharmaceutical retailers are the most likely to be exploring new solutions (76%), followed by sporting goods retailers (69%) and attractions (69%).

TRADITIONAL TECHNOLOGY STACK IS EVOLVING



64% of retail leaders are exploring new solutions.



Workforce management technology high on the agenda

Technology adoption isn't just about changing the customer experience though. Retail managers need to react quickly to in-store challenges, identify risks and coordinate resolutions, and share messaging at pace – so ongoing communication with staff (including those furloughed) is key. Alongside this, retailers should also develop outreach programmes for high performers and to ensure clarity around any rehiring selection criteria.

This is where our human capital management solutions help retail leaders reduce admin, improve scheduling and payroll processes, and gain better insights that the business would not have otherwise had. Such technology can act as a single source of truth for the business and its employees, putting communication and knowledge in one place for everyone.

Our data shines a light on this greater focus on HR and workforce management tools; though 38% of retail leaders see e-commerce as the most critical tech solution for their business in 2021, an equal amount (38%) also feel that HR and workforce management technology is just as important – a highly impactful finding when considering the huge role e-commerce plays in many retail businesses and the surge in online shopping.

When it comes to the most important features of implemented technology, retail leaders value data and analytics most (36%), followed by mobile features (32%), compliance (32%) and available integrations (32%). As such, we expect that retail leaders will look to improve their data analytics capabilities to facilitate data-led business decisions and fast-track pandemic recovery.

Naturally, digital transformation is essential in this, and those retail businesses not using workforce management technology should consider doing so sooner rather than later. Our Employee Engagement and Mobile platforms, for example, provide retailers with the ability to clearly communicate with employees by providing consistent information and updates to workers regarding what to expect with reopening and restriction changes. Such tools can also be used to teach staff mechanisms for raising risks and asking questions. Retailers can design easily accessible guides for employees to use, and build in Covid symptom checkers pre-shift to help maintain high levels of safety in the workplace.

MOST IMPORTANT FEATURES OF IMPLEMENTED TECHNOLOGY

 **36%** Data and analytics

 **32%** Mobile Features

 **32%** Compliance

 **32%** Available integrations

Managing payroll needs

Many companies are having to navigate an increasingly difficult payroll environment. On top of monthly pay runs, the additions of bonuses and commission, pensions, the minimum wage, National Insurance and statutory payments are extra complications. Errors in tax codes or student loan notifications can lead to employees overpaying and costly admin processes to recover. As well as this, retailers must also keep track of those workers being paid a furloughed wage or returning from furlough. With new requirements in the workplace around safety to minimise the transmission of Coronavirus, staff are also likely to be swapping or cancelling shifts at late notice, while more temporary staff are being used to cater to changing demand.

Salary errors demotivate employees, and can cause a plethora of negative repercussions in terms of employee engagement, customer service and staff retention. With many workers having been hard hit by the pandemic financially, employees will be less resilient to any mistakes or delays when it comes to pay. As well as worker dissatisfaction, mistakes also mean that employers risk non-compliance, which has ramifications including a range of penalties, least of which are substantial fines and being publicly named.

HARDEST PARTS OF WORKFORCE SCHEDULING IN 2021



Managing payroll accurately due to expected changes in shift patterns



Ensuring staff are comfortable coming to work and employee health is tracked



Implementing and managing flexible furlough practises



Large retailers are concerned about ability to provide employees with enough hours

Reflecting these concerns, retail leaders expect the hardest parts of workforce scheduling in 2021 to be managing payroll accurately due to expected changes in shift patterns (37%), ensuring staff are comfortable coming to work and employee health is tracked (35%), and implementing and managing flexible furlough practises (31%). For large retailers, the top concern was their ability to provide employees with enough hours to satisfy their needs (41%).

With this surge of challenges, retailers need to take advantage of technology that can improve efficiency and streamline processes. Our Payroll and Benefits Solution, for instance, ensures the right data flows through the system so retailers can be sure they are paying their staff the right amount at the right time, as the tool integrates HR, scheduling and payroll into one simple solution. This technology also enables workers to view their own payroll information and swap and view shifts, while other employer benefits include: ensuring compliance with national minimum wage and working time directive automatically; tracking spend in real-time; comparing scheduled hours with hours worked; accruing holiday time automatically; and easily managing statutory payments and company policies.

AI automation can also remove data processing errors and compliance issues, resulting in huge time and cost savings for payroll. This could include, for example, running automation on payroll data regularly to check it is compliant and automating the onboarding of employees - reducing the time needed for this process from hours to seconds.

Embracing digital transformation

Though it is clear technology investment is a priority for retailers this year, there remain several barriers to implementation, including the need to train staff in using new technology (41%), data security concerns (34%), and a lack of relevant talent to manage it (33%). Cultural resistance to change is another key barrier, impacting 38% of small retailers and 41% of large retailers, while larger retailers also want to avoid ripping and replacing their legacy systems (29%).

It is clear that, in order to successfully bring technology on board to evolve to a new retail environment, **businesses must prioritise putting technology, and the relevant training for it, at the heart of their businesses to transform the culture around such processes.**

IMPLEMENTATION BARRIERS



41%

Training staff in using new technology



34%

Data security concerns



33%

Lack of relevant talent to manage new technology

KEY BARRIER:

Cultural resistance to change



38%

Small Retailers



41%

Large Retailers

The future of retail:

The post-pandemic way forward

Though the last year has been tough for retail, consumer and worker behaviour changes are reshaping the industry. Think tanks are cautiously optimistic⁶, indicating that pent up savings and demand, improved consumer confidence and a successful vaccine rollout will support the recovery of UK retail. Nonetheless, we are likely to see significant changes as retailers adapt to a new environment and try to anticipate which consumer behaviour changes will stick. Indeed, our research finds that over a quarter of retailers (27%) say navigating unpredictable consumer demand will be a top business challenge this year, further emphasising why investment in technology that can give data-led insights on the business and its employees is essential for retailers.

Whatever lies ahead for the retail sector, much of the huge rise in online retail is expected to continue as shoppers grow more accustomed to digital technology. As such, retailers will need to be prepared to navigate a fast-changing physical retail environment in the months ahead.



Retailers are reinventing the shopper experience

With our research finding that 29% of retail decision-makers' top challenge this year is attracting customers to physical shops or premises, one emerging trend is the rate of retailers repurposing store space. Many are likely to not only seek to change their stores, but to completely reinvent them and provide an experience the consumer cannot enjoy online in the same way.

When it comes to predictions, retail leaders say that businesses that diversify and differentiate the in-store and online shopper experience are most likely to come out on top in 2021 (31%). Almost one in four (39%) retail leaders say a top change will be reducing all offers and pivoting to a more premium in-store experience to differentiate the online experience, but realistically we expect that retailers will offer more in-store sales to remain competitive. It's no surprise then that almost a third (32%) see a priority being to offer more frequent sales and in-store only offers, while 47% of larger retailers feel it's vital to expand their product ranges to compete effectively with e-commerce.

Brands are already adapting their retail spaces. Pop-up spaces and pop-up retail in particular are rising in popularity, especially for smaller, independent businesses, which points to the unique and immersive elements that physical shopping can provide. We are also likely to see a growth of shop-in-shop concepts as a way of selling more products with reduced overheads. Homebase, for example, has partnered with fashion retailer Next so that its garden centres will open inside Next stores across the UK.

2021 PREDICTIONS



of retailers agree that businesses that diversify and differentiate the in-store and online shopper experience are most likely to come out on top



Blending the online and in-store experience

Some retailers will also look to meld their online and physical environments, with 35% of retail decision-makers saying their top business priority in 2021 is defining and blending in-store and online guest experience to extend brand interaction. A third (33%) of retail decision-makers also believe a top change to compete with online retail will be to implement an app or other customer loyalty technology to push customer offers and updates.

With 71% of millennials and 65% of Gen Z admitting⁷ to being influenced by loyalty programmes, such technology improves customer engagement and facilitates more precisely targeted loyalty offers. Using an app to communicate offers gives convenience for the consumer and simplifies delivery for the brand, allowing retailers to prompt consumers to shop in-store, and change and update offers according to customer preference. Since it costs, on average, five times⁸ more to gain a new customer than to keep an existing one, such technology will be key for retailers looking to meet financial targets and bounce back from pandemic-induced losses.

Retailers back an e-commerce tax

Another key business priority this year for retailers is remaining competitive against e-commerce brands (26%), with almost half (46%) backing higher government taxes on e-commerce and online retail, despite many of those having e-commerce presences themselves. Pharmaceutical retailers were most in favour of an online shopping tax, with 71% backing such a measure.

With the UK Treasury exploring options for an online sales tax, our research indicates a significant proportion of the retail sector would back the tax. This sentiment comes in the wake of growing concern over the record number of shops disappearing from high streets and the threat of online-only stores who pay fewer overheads. Amazon UK's sales, for example, rose by 51% last year⁹ to reach £19.4 billion (paying just 0.37% of its revenue in taxes compared to the 2.3% average of traditional bricks and mortar retailers⁹), while the amount spent online increased by 46% in 2020 from 2019⁹.

Aside from taxes, almost half (47%) of retail leaders believe the government should introduce extended shopping hours and 38% want government-funded vouchers as strategies to drive confidence back to the high street. Though the government has allowed shops in England to stay open until 10pm as non-essential retail reopens, extending this will be critical to the sector's recovery, enabling consumers to carry out shopping outside of usual working hours and providing a much-needed boost to the industry.

Conclusion

There is no doubt that the retail industry has been significantly altered during the past year and that the stakes and competition are higher than ever. These are challenging times for the sector, but there is much to be hopeful about. The past year has demonstrated the resilience of communities and of businesses, and shown how much retailers can achieve in times of uncertainty and significant disruption.

Consumers are likely to continue to buy online more than ever before. Mobile shopping adoption has also accelerated as consumers seek convenience, resulting in big changes in the way people use bricks-and-mortar stores.

Looking ahead, retailers will be considering how they repurpose or transform physical store space as part of their growth strategies, to ensure they inspire, educate or entertain consumers.

To succeed, businesses must also look to achieve sustainable growth by investing in the right technologies to improve their workforce management, strategy, operations, and behaviours.

Innovative technology will be critical in helping businesses survive and keep pace with the rapid change unfolding, and there are many key learnings to apply as we move towards a post-Covid era.

Flexibility will be king, with retailers needing to be prepared for changing situations, and being able to pivot as and when required, be that through adapting their supply chains, streamlining operations, or flexing workforces to suit demand. These are complicated challenges though, and those retail leaders that invest in more back-office technology to automate processes and spend more time analysing data to identify possible savings or improve operations will come out best.

While in-store technology will be critical, so too will technology that improves workforce management and streamlines everything from payroll to shift selection and HR communications. We can provide our expertise, insight and solutions to assist you with navigating the challenges ahead and help you to thrive in this new environment.

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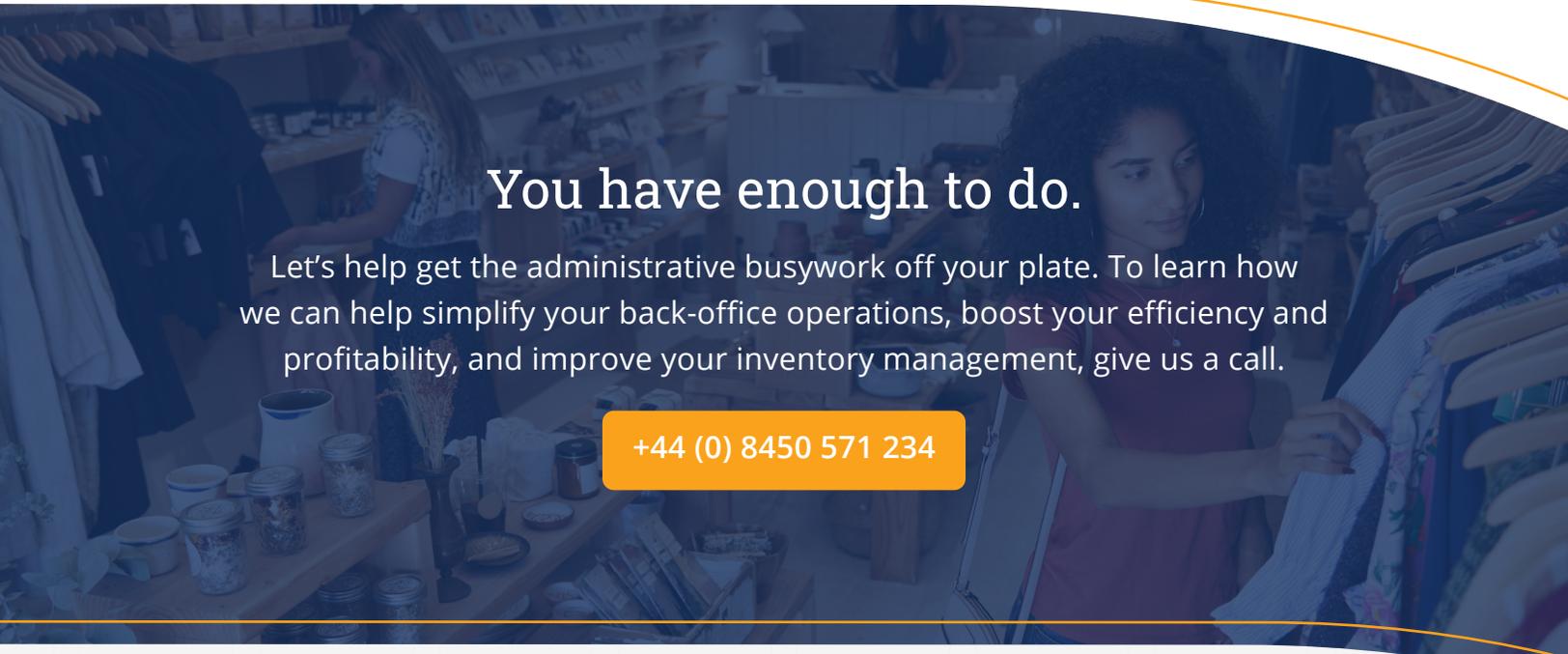
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About Fourth

Fourth provides end-to-end, best-in-class technology and services for the hospitality, leisure and retail industries. Its procurement, inventory, and workforce management solutions, coupled with a complete data and analytics suite, give businesses the actionable insights they need to control costs, scale profitability, improve employee engagement, and maintain compliance.

Since its merger with US-based HotSchedules, Fourth serves more than 7,000 customers across 120,000 locations globally.

Fourth works with multi-national companies across the retail, hospitality and leisure industries, including Fortnum & Mason, Tesco Family Dining, Gail's Bakery, Soho House, The Ivy, The Dorchester, The Ritz, Burger King, Leon, Pizza Express, Wentworth Club and SSP Group.



You have enough to do.

Let's help get the administrative busywork off your plate. To learn how we can help simplify your back-office operations, boost your efficiency and profitability, and improve your inventory management, give us a call.

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