



**CONSUMER AND
RETAIL GROUP**



The Grocer's Playbook **How to Overcome Today's** **Labor Shortages**



The Grocer's Recession Playbook: How to Overcome Today's Labor Shortages

With COVID restrictions largely in the rear-view mirror, 2022 was billed as a “return to normal” for brick-and-mortar grocers. However, the ripple effect of employee shortages continues to hinder grocers, even as we move further into 2023.

Labor shortages are handicapping grocers' store operations, customer experiences, and performance. What are potential employees looking for?



Value-based job hunting

Historically, younger individuals have been a key target for grocery employment (e.g., part-time and seasonal associates). Shifting expectations means competitive pay is no longer enough to capture and retain employees. Gen-Z seeks employers who are ethical, diverse, and support personal growth.¹



Increased flexibility

COVID forced individuals to reconsider their approach to employment, with employees quitting jobs in record numbers. Increased desire for flexibility and remote work spurred enormous growth in the gig economy.¹



Unfortunately for grocers, macroeconomic headwinds are complicating the labor situation further. The current inflationary environment is driving increased pressure on employees' wage expectations. Additionally, with labor becoming scarcer, the demand-supply imbalance drives wage increases. Lastly, 2023 has already seen minimum wage increases in 23 states, and grocers can expect to see continued upward wage pressure.



Wholesale and retail trade ranks in the top 5 for most unfilled job openings when compared to other industries.

The situation is stark: 3.3 million additional workers are needed to bring the labor force participation back to pre-pandemic levels. Big-name retailers have already made some strategic moves in response. Kroger reduced overall operating hours in some stores, while Amazon and other retailers raised employee wages. Although these measures will be helpful in the short term, they are only a bandage. If grocers are not focused on long-term strategic pivots, they will not be able to overcome today's labor shortages.

What are the key decisions grocers need to make to land on the right side of the ongoing labor market disruptions?



Given this current labor shortage situation facing grocers, we recommend a keen focus on 3 primary areas of employment: utilization, recruitment, and retention



Employee Utilization:
Maximize Efficiencies within Store Operations

1



Employee Recruitment:
Implement Effective Strategies for Attracting Talent

2



Employee Retention:
Keep the Most Vital Asset, People

3





1 Employee Utilization

Maximize Efficiencies within Store Operations



In individual store operations, grocers must determine the necessary labor requirements on a role-by-role, task-by-task basis. Is more labor or more technology needed? Grocers that think big picture and lean into technology now will obtain short-term benefits while also preparing their stores for the future.



Modernize task management

Grocers should eliminate any residual handwritten employee to-do lists and move towards tech-driven **task management solutions**. This more efficiently provides clear, step-by-step task instructions for employees. Additionally, improved task management allows associates to be more self-sustaining on the job, particularly those with less experience.



Tap into the gig economy

For in-store tasks such as shelf stocking and online order fulfillment that cannot yet be fully automated, grocers can leverage **outsourced labor via the gig economy**. Layering this method of employment on top of current full and part-time staff can directly improve efficiencies. The low barrier of investment to do so can help combat worker shortages.



1 Employee Utilization

Maximize Efficiencies within Store Operations (continued)



Automate standardized and repetitive tasks

Technological advancements allow numerous tasks to be automated, freeing up shorthanded labor for other in-store operations. Maximizing the use of automated, **self-checkout machines** is low hanging fruit. Self-checkout began to pick up in the early 2000s, and today, nearly 40% of checkout lanes at US grocers are self-checkout.¹ Grocers that have not incorporated them are already behind. They should continue to implement additional lanes of self-checkout and reallocate labor to tasks such as improving on-shelf availability and customer engagement. Additionally, **implementing electronic shelf labels (ESLs)** can yield significant labor time savings across numerous tasks including price changes, stocking, and e-commerce fulfillment. ESLs can drive customer experience improvements by providing backroom inventory visibility and seamless access to in-store deals via smartphone scanning.



Lean into apps

Grocers should invest in expanding mobile app capabilities beyond a BOPIS ordering avenue. For example, by providing product aisle location information, employees can spend less time directing customers on where to find products, and customers can increase the efficiency of their in-store shopping. Well-developed mobile apps can also allow employees to communicate with customers more effectively and drive customer interaction efficiencies.



Move fast...but not too fast

Grocers must ensure they have solidified consistent, standardized processes across the entire store network before integrating technological solutions. **Technology is an efficiency amplifier** and should not be seen as an easy fix to labor shortages. After beginning with redesigning and optimizing current systems, grocers may then leverage technology-driven solutions to drive long-term efficiencies.

1. Catalina's 'Exploring Shopper Profiles at Check Out – What Are the Distinctions and How Can Retailers and Brands Leverage Them?'



2 Employee Recruitment

Implement Effective Strategies for Attracting Talent



Update job postings & maximize visibility

In designing new recruitment strategies, grocers must assess the current effectiveness of their HR teams and internal processes. Given generational differences in evaluating employment opportunities, it is vital to **focus on employee archetypes** within both job descriptions and candidate evaluations. For the overall recruiting process, **tailoring job descriptions as well as maximizing visibility** (e.g., getting in front of the right groups) is key, whether looking to hire students or retirees. Conducting a virtual job fair is a common route for grocers to decrease the exhausting recruiting efforts required by managers while increasing visibility and reach.



Bolster training & development

The **desire for training and development is evident** in employees, and grocers must lean into it. Increased investments in training capabilities, particularly those related to technology, are necessary to succeed long-term.



Plan to promote

Outside of upskilling and reskilling workers, grocers must provide a **clear runway for employee promotion** to allow candidates to see themselves at the company longer-term. Best-in-class grocers like Wegmans, one of Fortune 100's "Best Companies to Work For", deliver **clear career path options** for candidates in their recruiting processes.



Lean into tech & automation

Within the redesigned recruiting processes, technology is an important integration. **A.I.-driven solutions** can provide insights into optimal compensation levels and benefits, as well as candidate evaluations and resume screening, leading to leaner HR departments and more accurate decision-making. For example, Fountain automates numerous tasks for HR recruitment efforts including, but not limited to, candidate screening and shortlist creation, job posting promotion, interview scheduling, and candidate inquiries.



3 Employee Retention

Keep the Most Vital Asset, People



Current employees are a company's most valuable asset, especially in a tight labor market. Grocers are constantly focused on customer satisfaction but how much attention should they put towards employee satisfaction?



Increased employee flexibility is non-negotiable

With the COVID-driven shifts in employee preferences, **maximized employee flexibility** must be a focus for increasing retention. Although in-store labor, by nature, cannot be done remotely, grocers can still enhance employee flexibility around employee experience such as signing up for shifts.

Some grocery retailers have developed mobile apps that allow employees to book shifts. To ensure all shifts are filled, some shifts are still traditionally staffed with others available as flex to be chosen by employees. Additionally, grocers should consider allowing employees to move between store locations as needed.



Invest in employees' learning & development

In addition to a focus on culture and worker flexibility, the way in which grocers design employment opportunities can significantly increase satisfaction. Avenues for **learning and skill development are now table stakes** in candidate decision making. A grocer's learning and development opportunities cannot be superficially designed or "half-baked". They must be well thought out and have tangible impacts on employees' skill sets. If not, there could be significant, long-term implications for internal brand loyalty.

Walmart has set a high bar with its 'Live Better U', a free college program allowing employees to gain degrees and certificates in numerous fields, including but not limited to supply chain, cybersecurity, and business administration.



3 Employee Retention

Keep the Most Vital Asset, People (continued)




Create a supportive culture employees are proud to represent

Establishing a **value-based culture and positive work environment** is key to attracting new hires. Almost more importantly, though, these aspects of a company are a direct driver of employee retention. A strong company culture built on shared values is key, particularly for retaining younger individuals. A strong store manager that believes in and embodies company values is critical to driving culture at a store level. Company values should be incorporated into store manager training and woven into the fabric of the in-store employee experience.

To that end, the **store manager-to-associate working relationship is incredibly important**. Leading with empathy, building authentic personal relationships, and maximizing instances of praise and achievements across the store labor ecosystem can improve retention and worker satisfaction. Employees often do not just leave their jobs; they really leave their managers.

Consistency in the review process is also a key component. Grocers should evaluate how often associates leave because the appraisal and promotion process is opaque and feel like they did not get a fair chance.





With today's difficult labor environment, it is essential for grocers to focus on thoughtfully executing their employment strategy to best utilize, recruit and retain talent. Grocers should increase automation and technology and reallocate labor for more customer-facing tasks. Reevaluating recruitment strategies may uncover opportunities for grocers to better match the desires of today's workforce. Finally, grocers need to invest in keeping their employees satisfied in order to retain talent. By focusing on these key areas, grocers will set themselves up to overcome the labor market disruption.

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