Top five ways to optimize labor costs and customer outcomes
Thanks to their industry’s seasonal nature, retail companies often experience fluctuating demand. This makes workforce management particularly challenging — especially during historic labor shortages that come with an outsized effect on retail. Some retailers have been so desperate to fill vacant in-store shifts that they’ve resorted to recruiting from their corporate teams.¹

It’s more critical than ever to optimize labor schedules, especially considering inflation’s effect on wages plus supply chain disruptions that can result in extreme ebbs and flows of productivity. Of course, optimizing labor is easier said than done. The good news is that there are advanced technical solutions available to meet this supply and demand challenge.

**Top five ways to optimize labor for retail seasonality**

Managing your workforce may feel overwhelming, but that doesn’t mean it’s impossible. Follow these five tenets to put your company on the right track.

- **Keep pace with evolving market conditions**
- **Accurately predict labor needs**
- **Precisely align staffing to meet demands by location**
- **Optimize staffing for demand by channel**
- **Increase scheduling visibility and flexibility (including self-scheduling) to improve employee engagement**

To learn why these objectives are imperative — and get strategies to execute them — read on.

“Retail companies are already struggling with staffing. Then oscillating consumer demand and ever-shifting shopper habits heap on additional challenges. So, while they’re working on improving retention, they’re also trying to adjust and keep up with omni-channel sales and customer service expectations. In this situation, the retail organizations that manage to optimize their workforce will earn an edge over competitors — especially during the busier shopping seasons.”

Larry Leibach,
WFM Area Product Leader, ADP
Amidst rising inflation, consumers have seen their purchasing power drop. Many more may soon join the ranks of customers who require financing. Retailers that don't keep track of their customer payment trends like buy now, pay later (BNPL) could fall behind those that identify them early and prepare to meet their customers' needs. This offers a prime example of why retailers must watch market trends, keep up with consumer preferences and stay ahead of supply chain woes, among other vital developments. Trends such as these have a profound effect on how retailers optimize scheduling to staff their business.

Retailers should also stand ready to evolve and adjust. Ones that fail to examine the big picture and identify significant macro trends, also drilling down to the micro level, risk falling behind. Those retailers with the ability to analyze historical and real-time data to make accurate business and labor forecasts will come out ahead.

**Take action:**

Watch market conditions and industry trends, from labor and supply chains to consumer shopping preferences and digital transformation. Then make time to examine how your business is performing in these areas and determine how you need to adjust your forecasts and staffing requirements to meet the need.

**Consider this example...**

More consumers are shifting their priorities.

84% of consumers are now seeking experiences outside the home vs. 42% in 2021.³

Retailers can and should pay attention to how such trends can affect their sales. Keeping a finger on the pulse of market conditions can significantly impact staffing decisions, budgets, sales and service and provide the best chance of helping your company rise to the top — but only if you have the ability to analyze and compare market trends with your data.

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**How ADP can help**

ADP Workforce Manager offers built-in machine learning (ML) algorithms that analyze historical trends and data to improve business forecasting across your entire business. Using this tool, your team can learn from historical results using intelligent algorithms that will accurately predict sales and labor needs while proactively help you align resources with demand.
Certain times of the year and even specific hours of the day yield heavier foot traffic and more eCommerce for retailers. It’s no secret that retail is affected by significant seasonal and even small hourly trends daily. The back-to-school and winter holiday seasons especially stand out. To maintain profitability and deliver exceptional customer experiences, it’s imperative that retailers adjust staffing numbers to accommodate slow times and busy times and shifts in shopping preferences.

**How ADP can help**

Optimizing your labor needs is essential every day but it is also critical to be able to adjust to the seasonal retail booms for the sake of both your staff and your stores. ADP Workforce Manager offers scheduling recommendations that can help you develop precise schedules using algorithms that provide granularity down to 15-minute segments each and every day of the year. This makes it possible to create schedules that not only optimize labor meet demand but also ensure that the most skilled workers are where they’re needed when they’re needed most in the most cost-effective manner.

**Accurately predict labor needs**

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**Take action:**

For an efficient, optimized workforce, examine historical data to pinpoint daily hours when it’s essential to fully staff stores, shift resources to online support staff and identify changes in traffic when you may want to offer overtime hours or even bring in seasonal help.

While stores are no longer the default shopping channel, 72% of consumers say they still rely on visiting stores as part of their primary buying journey. The in-store experience is just as important as ever.
Improve productivity in all locations

52% of all activities in retail can be automated with existing technology. Many retailers haven’t yet prioritized automation, however, investment in intuitive scheduling could help ease their labor shortage woes.

Half of the executives at industry-leading companies, however, are making strides to get ahead when it comes to automation (compared with just 11% of industry laggards). They understand that automation is an important opportunity for retailers, both in building future-proof skills in their workforce and in maintaining productivity resulting from optimizing schedules amidst labor shortages.

In the wider business world, 78% of firms are using software to measure employee productivity.

How ADP can help

With ADP Workforce Manager, you can dynamically forecast each location to validate its individual labor needs, business demands and associate skill sets. You can also standardize operational practices across your organization, using ADP Workforce Manager to:

• Gain visibility into forecasting and scheduling specific to each location, including employee skill set
• Manage each location’s scheduling requirements down to 15-minute increments, helping to monitor sales versus labor hours, gain insight into earned hours and profit margins, improve conversion rates and increase sales
• Measure performance in real time using customizable data visualizations, actionable alerts, and reporting dashboards

Take action:

Retailers should use the technology available to them, including AI and machine learning, to improve the decision-making process, prioritize labor productivity, measure performance in real-time, and efficiently manage each location’s unique business requirements easily.
Deliver exceptional customer experiences across all channels

How ADP can help

ADP Workforce Manager includes sophisticated scheduling technology that provides real-time insight into store traffic as they fluctuate based on omnichannel behavior so that you never need to worry about being under- or over-staffed. This technology uses mathematical algorithms that reduce the time it takes to analyze and forecast your labor demands from hours to minutes. It will help you adapt to changing customer behaviors and forecast customer activity to ensure optimal staffing and deliver the highest service levels in each store, for every type of transaction.

Today’s consumers are primarily hybrid shoppers. They control their buying journey — and they’ve built a much more convoluted one. Often, they’ll research products on one channel, shop via a second channel and make their actual purchase on a third.

As an industry, retail is typically seen as behind when it comes to technology and offering a digitally transformed customer experience (CX). Many retail organizations are still dealing with old and outdated platforms that do not allow for staffing across multiple channels and locations.

Take action:

Dated technology often can leave you under or over-staffed for the omnichannel retail market while missing all the vital employee engagement self-service functionality your workforce demands, from empowering mobile apps and quick responses to last-minute requests.

“COVID-19 has shown that the role of the store isn’t going away, but it’s changing, and stores more than ever are needing to support both traditional shopping patterns and omnichannel fulfillment activities... Shifting customer expectations are making old ecommerce solutions seem even more outdated, especially as users demand new capabilities and experiences that are not currently supported.”

Deloitte

“In 2022, consumers no longer see online and offline shopping as distinct experiences — they expect everything to be connected all the time. Shopping must be fast and efficient some of the time, rich and experiential other times, and always easy and intuitive.”

NRF
Increase scheduling visibility and flexibility to improve employee engagement

The #1 driver of attrition in retail is lack of flexibility.¹²

While navigating the COVID-19 pandemic, many people reevaluated their priorities, rethinking how work should fit into their life rather than how life fits into their work. That’s proven especially true of retail workers in an industry that often requires them to work odd hours and on holidays. They were also viewed as “frontline workers” during the pandemic and, thus, took on higher risk.

When the job market began to shift heavily in favor of job seekers, many employers saw an exodus of workers — but retailers have had an especially tough job filling the vacancies. Optimizing scheduling has become even more critical for retailers as understaffing leads to overtime and stressed-out employees while overstaffing can lead to boredom and disengagement.

More than half of retail executives now expect to face shortages in talent for supply chain, logistics and distribution, and it gets worse when you consider customer-facing roles. Nearly 75% expect to struggle with shortages of workers willing to take on customer-facing roles, and 70% believe that labor shortages, especially in hourly wage jobs, will hinder growth.¹³

“Retail is the only industry in which flexibility ranks as the number-one driver of why you might leave your job.”

David Fuller, McKinsey & Company

Employees want flexible work, and as the Great Resignation has shown, they’ll change employers, even career paths, to get it. This is why many observers switched from calling the phenomenon a Great Resignation and instead opted for the “Great Reshuffle” — and retailers aren’t well-positioned to come out on top. In fact, when comparing the top five industries that saw the most workers quit by mid-2022, retail came second only to “leisure and hospitality,” and retail struggled with the highest rate of unfilled job openings.

How ADP can help

ADP Workforce Manager predicts weekly business volumes and picks up on local trends and establishes ebbs and flows of business using Artificial Intelligence (AI) algorithms that drill down to 15-minute increments to flex labor to meet demands and address varying operational practices across multiple locations. As a result, the platform provides managers with automated scheduling, actionable alerts, and easy access to information, whether they are in the office or in the store.

It then puts the power of choice in the hands of your workers. Its employee interface allows workers themselves to easily view their hours, request changes to their schedules, and swap shifts with their coworkers while taking advantage of AI for shift recommendations and approvals. In this way, employees can take ownership of their schedules while your organization still achieves appropriate coverage with less managerial effort.

Take action:

It’s time to accept that flexible work is here to stay and find ways to adjust to it — even support it. But that can be tricky in retail. Most frontline employees must be in physical locations to help customers, making flexibility an especially thorny challenge for the industry. But in an industry with a historically lower bar regarding flexibility, we can be creative about how we view and foster it. One significant way to offer meaningful flexibility to retail employees is with flexible scheduling options.
How to create schedule flexibility in retail

- Use mobile technology to make flexibility easier
- Empower workers with technology that allows them to choose which days and shifts they work
- Allow workers the ability to seamlessly swap shifts with coworkers
- Offer ways for workers to choose shifts based on task types

ADP's Workforce Manager

ADP® helps retail businesses become more agile and deliver better results through proactive forecasting and labor optimization. This allows you to right-size your resources for optimal coverage, increasing sales and improving conversion rates while minimizing legal exposure, empowering workers and reducing the burden placed on managers who may be at high risk of attrition.

"Retailers have been forced to reexamine their legacy systems and strategies that have shaped the industry for years. In many ways, the pandemic has opened the door for a long-overdue great retail reset that can help move many retailers into more stable — and potentially more profitable — positions than ever."

Deloitte

Let us help you come out of this reset as a stronger, nimble, and an overall better employer.

About ADP Workforce Management

More than just time and attendance, ADP workforce management software integrates everything from scheduling and absence management to compliance, payroll, and analytics. All delivered with the exceptional service you expect from ADP.

Learn more at adp.com/WFM.