

A woman with long brown hair, wearing a pink long-sleeved shirt and a green apron with white polka dots, is smiling and looking at her smartphone. She is holding a large bouquet of white roses in a black vase. The background shows a floral shop with various flowers and greenery.

A view from the experts:  
**The opportunities  
and challenges  
in US retail**

Fourth investigates  
the retail industry's  
priorities for 2023

 **Fourth.**

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# Introduction

Retailers across the US have spent the past few years navigating a different retail landscape — from store closures and supply chain issues, to talent shortages. Now it's 2023 the challenges have evolved and retail businesses face a global recession, soaring inflation, and the spiraling cost-of-living. Still, retailers remain resilient and, after a few intense years, are preparing for all opportunities.

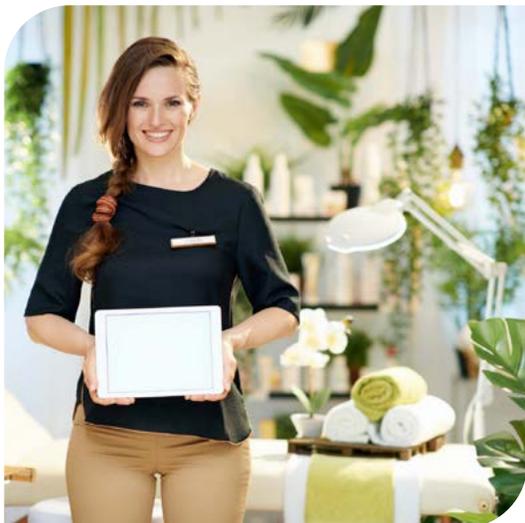
There is renewed optimism for recovery and growth. October saw US retail sales' biggest increase in eight months<sup>1</sup>, indicating consumer spending remains robust and the retail industry experienced a strong end to 2022.

However, with much instability, recovery is not guaranteed in 2023. Retailers must ensure they plan accordingly and employ flexible strategies with technologies that meet their needs and unique business challenges, to successfully navigate the changing landscape.

In our latest research, Fourth explored the state of the US retail industry, priorities for 2023, and the technology that will guide it through the obstacles and possibilities.

In this report we'll delve into four focus areas:

- How leaders are responding to economic conditions and changing spending behaviors
- How talent shortages in 2023 will impact both retail leaders and employees
- How to support a workforce struggling with cost-of-living-related financial stress
- How to boost efficiency and support your staff with retail technology



## Methodology

This whitepaper is built on insights from two surveys. One of 250 HR, finance, operations, IT and digital transformation decision makers in US firms of 100-2,500 people within retail, health and wellness, entertainment and attractions, automotive services, and beauty and salon services sectors. A second of 250 retail employees in the US within retail, health and wellness, entertainment and attractions, automotive services, and beauty and salon services.

The surveys were conducted by Fourth in collaboration with Censuswide in November 2022.

<sup>1</sup> [Bloomberg, US retail sales rise most in eight months as consumers hold on \(November 2022\)](#)

# The state of retail in the US

Retail's recovery remained strong in the final months of 2022, with the majority of retail leaders (59%) making a profit in line with pre-pandemic revenue. Despite the brutal challenges presented over the past few years, retail is bouncing back. And, for some sectors, the books are particularly strong going into 2023.

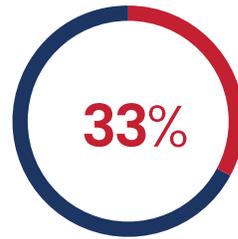
The outlook is optimistic. Over a quarter of retail leaders are making more profit than pre-pandemic. The stand-out sectors for post-pandemic growth are the entertainment, sport and attractions sector, and health and wellness sector.

Over a quarter of retail leaders are making more profit than pre-pandemic.

## Making more profit than pre-pandemic...



of retailers



of entertainment, sport & attractions retailers



of health & wellness retailers



Not all sectors have witnessed the same growth. Beauty and salon services experienced the slowest growth in 2022, where one in ten businesses (12%) made less revenue than pre-pandemic. Rising prices and reduced consumer spending pose a continued threat to all sub-sectors of the industry. While some are still recovering, the overall findings still paint an optimistic picture for retail in 2023.

## Consumer purchasing behaviors are not as severe as headlines suggest

At the end of 2022, nearly two in five retailers (38%) had seen an increase in in-store purchases, with nearly half working in the grocery and convenience store sector witnessing the highest increase in in-store purchases.

Nevertheless, there has been some impact on in-store spending, with most leaders in the automotive, and beauty and salon services sectors seeing a drop in spending.



Overstaffing incurs additional costs, while under-staffing impacts the customer experience. Using machine learning AI-driven algorithms, Fourth's Intelligence Platform includes demand forecasting to detect trends and patterns in customer demand to predict levels of future customer demand down to 15 minutes for an individual store, automatically calculating the number of optimal hours required to perform tasks.

Looking at online purchases, consumer spending is strong with four in five retail leaders (81%) seeing online spending increase in Q4. Almost nine in ten grocery and convenience store retailers (89%) also reported increases in online purchases. While leaders in the health and wellness (87%), and entertainment, sport and attraction (82%) sectors saw similar increases in online spending.

Clearly, consumer demand for online spending remains healthy, and as a result, nearly half of retail leaders (46%) say the average spend per visit or per digital transaction has also increased.



Average spend per visit or per digital transaction is increasing

## Retail leader's biggest worries for 2023

Consumer spending is not the only concern for retail leaders', their biggest business worries for 2023 are:



68%

Supply chain challenges



44%

The impact of having to increase prices



42%

Talent shortages in the industry

*"From the supply chain to talent shortages, the business challenges are clear for 2023. The new year will present a lot of opportunities, with retailers ending the year in a stronger position than many expected. Retailers that listen to their employees alongside their customers' needs will be the most likely to succeed. Those that look to technology to do this will have an even greater advantage."*

**- Clinton Anderson, CEO, Fourth**

# Retail's talent threat

For the retail industry, attracting and retaining a motivated workforce remains a significant hurdle. Retail in the US employs 32 million Americans<sup>2</sup>, making it the largest private sector employer, supporting more than one in four jobs. But the industry still faces increasing employee churn.

## How do retail leaders feel about the talent issue for 2023?

**87%**  
of retail leaders  
are worried about  
talent shortages  
in 2023

More than 87% of retail leaders are worried about talent shortages in 2023. This spikes at 100% for the beauty and salon services industry – with many in this sector still on the road to recovery, attracting and retaining talent is crucial. Similarly, entertainment, sport, and attractions (88%) and grocery and convenience stores (88%) are particularly concerned about talent shortages persisting.

## How does this compare with retail employees at the heart of the issue?

It's not only retail leaders that are worried about the impact of staff shortages. Almost all employees (94%) are concerned about the consequences labor shortages will have on their roles and professional wellbeing. **It's paramount retailers prioritize their workforces, as employees expect continued pressure from understaffing will result in:**



56%

Feeling overworked and underappreciated



50%

Having to do more than your job description



45%

Not enough people on the floor to help customers



40%

A lack of necessary knowledge/experience to help customers



36%

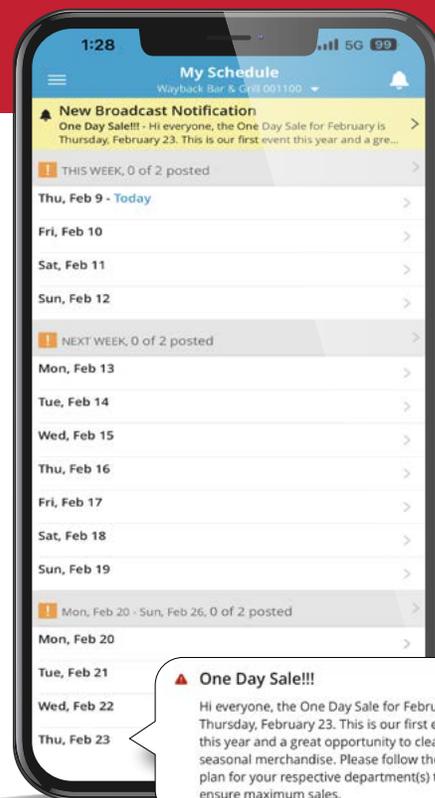
Lengthy recruitment processes taking managers away from day-to-day support

<sup>2</sup>National Retail Federation, [Retail Jobs](#), Oct. 2022

Fostering better communication, Fourth human capital and workforce management solutions strengthen relationships between employees and their managers, making jobs easier and improving efficiencies. Through the app, managers are able to share urgent notifications and announcements in the news feed, while employees can stay up-to-date and access key information such as paychecks, scheduling, swap shifts, and access on-demand pay.

*“The retail workforce is looking for more support from its leaders. As employee concerns grow around the impact of talent shortages, retailers that focus on engaging with and supporting their employees will benefit from a motivated and efficient workforce. It’s integral leaders keep employee needs front of mind alongside business success, and invest in technology that will improve communication as well as more optimized shift scheduling, forecasting, and employee engagement.”*

**- Christian Berthelsen, CTO, Fourth**



# Navigating the cost-of-living crisis & supporting staff

The cost of food, energy, and services are increasing exponentially, while wages struggle to keep up. Navigating this crisis is no easy feat, but ensuring employees are supported will be key for retailers to foster a motivated and committed workforce that will see their business through tough economic times.

The top areas for employee financial stress are...



36%

Budgeting a lunch allowance



35%

Unreliable shift patterns leading to inconsistent salaries



34%

The cost of commuting to work



32%

Poor communication regarding shift patterns and holiday allowances



28%

A lack of financial literacy

Financial stress is taking a toll on retail staff and employees are hugely receptive to additional support from their employers. But do employee needs match with employer priorities?

**Salaries will increase in 2023** — It is encouraging to see that most retail leaders (54%) plan to increase employees' salaries in 2023. While 1 in 10 admitted they do not plan to increase salaries next year, this is a small minority, and the majority of retail leaders are coming together to support their workforces.

**Financial literacy support will be offered** — Retailers understand the hardship posed by the cost-of-living crisis and are prepared to offer other forms of financial support. Two in five retail leaders (39%) either plan to or already offer financial education and training support.

**Earned wage access is a priority** — Employees are calling out for earned wage access, with more than four in five employees (83%) stating that gaining access to wages as they earn, rather than waiting for payday, would reduce financial stress. Meeting this demand head-on, three in ten retail leaders (31%) plan to, or already offer, flexible pay with earned wage access. While this is a great start there is a clear divide between employee needs and employer action.

Enter **Fuego** by Fourth, an on-demand payment app allowing employees to draw a portion of their earned pay and tips before payday. Fuego helps workers meet their financial goals and helps employers to develop a more optimistic, engaged, and productive workforce.

*"It's clear retail leaders are prepared to take the measures needed to alleviate employee's financial worries and empower them to manage their own finances more effectively. Taking action with on-demand pay solutions will result in a motivated and engaged workforce, and amid concerns around staff shortages, keeping employees happy and supported will be key to success."*

—Clinton Anderson, CEO, Fourth

# Investing in technology for retail resilience

Amid a tougher economic climate, our data underscores the growing space for technology in the retail industry. In 2023, HR technology and workforce management solutions are key priorities for both retail leaders and employees. A failure to invest in these could hinder growth and efficiencies.

For retail leaders, the technologies integral to business growth in 2023, were identified as:

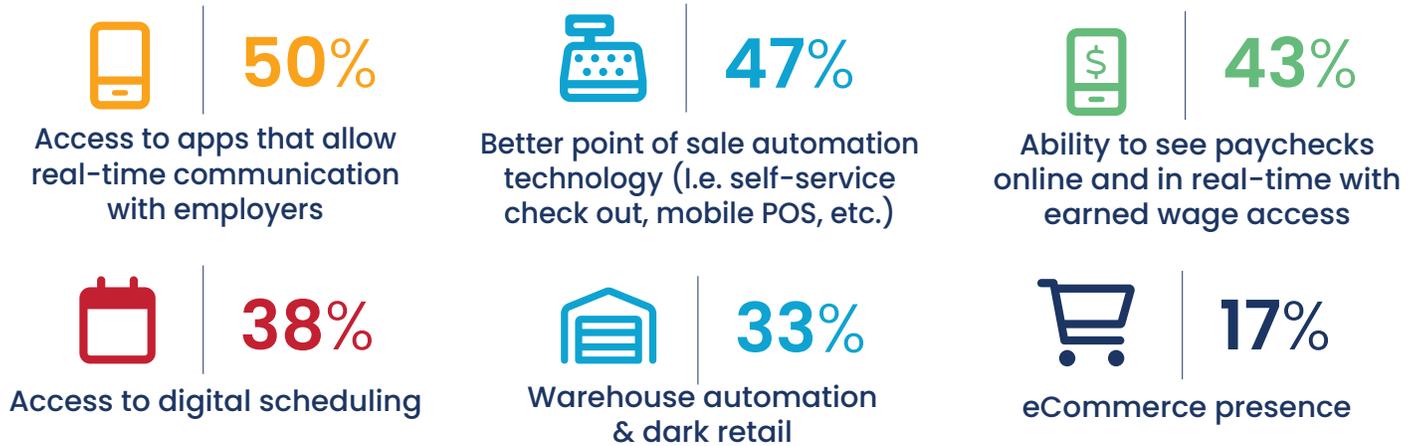
-  **46%** | eCommerce presence
-  **42%** | Store Management (i.e. scheduling and productivity optimization)
-  **40%** | HR automation (i.e. workforce management technology)
-  **35%** | Brand activations within supermarkets and department stores

Retailers need a fully integrated digital time and attendance solution that removes the costs, onsite installation, and maintenance of physical time and attendance clock solutions. By entering a short pin and snapping a photo of themselves Fourth's WebClock records their arrival and departure, as well as breaks throughout the day to calculate the required special pay according to local laws.



On the other side of the business, **the technology retail employees value the most is related to anything that makes their jobs easier and more efficient**, particularly amid talent shortages. The stand-out tech that retail employees are calling for are apps that allow real-time communication with their employers, with half of workers noting the technology would make their jobs easier. Workforce management solutions that enhance paychecks, earned wage access, and digital schedules also rank high.

## Technology most desired by retail employees:



For workers in the automotive services sector, warehouse automation and dark retail (63%) are most likely to improve retail employees' jobs. Whereas, for beauty and salon services, better point-of-sale automation technology (56%) is most likely to enhance day-to-day roles. The same goes for entertainment, sports, and attractions services (60%).

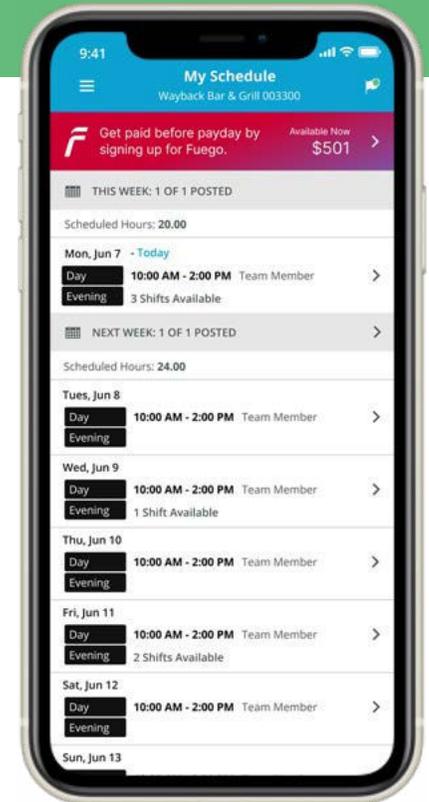
## How to attract and retain the best talent

Investing in technologies to help with workforce management and retention will also be key, particularly as the talent threat looms. To better support staff in their roles, retail employees are calling out for HR solutions that enable them with:



HotSchedules allows your team to conquer every day. With demand forecasting, wage and labor compliance, employee engagement tools, time and attendance, digital task management and on-demand pay, our intelligent scheduling software, HotSchedules enforces operational excellence, drives profitability, and empowers your team.

“It’s encouraging to see the value placed on workforce management technologies as the US retail industry focuses on survival in 2023. Ultimately, today’s retail workforce wants clear lines of communication. This not only ensures they feel valued, but helps to identify emerging challenges. By employing a suite of technologies that offer a range of features for employees – from earned wage access to automated scheduling – retailers can offer real-time support and in return benefit from a happy workforce.” – **Christian Berthelsen, CTO, Fourth**



## Conclusion

2023 brings uncertainty for retailers due to the unpredictable nature of the economic climate. But with inevitable change comes opportunity.

Retailers remain resilient and plan to ensure they meet consumer needs and business priorities, while supporting employees who are at the heart of each store, service, and business.

Our latest research provided a clear overview of the priorities and sentiments across the US retail industry in 2023. Key learnings include:

- Supply chains, rising prices, and talent shortages are retail leaders’ biggest worries for 2023
- The cost-of-living continues to pose challenges for the industry. While there is uncertainty around drops in sales, consumer demand remains strong
- With continuing staff shortages, attracting and retaining talent in 2023 will be a priority, so

retail leaders need to turn their attention to technologies that can support staff from a financial perspective

- There is a huge demand for earned wage access and employers will increasingly offer this benefit to support staff with the cost-of-living crisis
- Investing in technology that supports staff, boosts efficiencies, and enables communication will be key to business success and retail resilience

To address these hurdles and make the most of the possibilities, retail leaders can take advantage of technology to help streamline and optimize scheduling, labor forecasting, and workforce management – including offering earned wage access – to improve the overall shopping experience. Ultimately, retailers must remain agile.

## About Fourth

When every hour of every shift matters, Fourth helps restaurants, retailers, and hotels conquer the day with data-driven workforce and inventory technology. The Fourth Intelligence Platform leverages more than 20 years of rich data and advanced analytics to deliver actionable insights and demand forecasting for optimizing operations, maximizing margins, and empowering employees. With a streamlined business powered by Fourth Intelligence, industry operators can act with certainty and conquer with confidence whatever comes their way every day.

To learn more:

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