



Retail's 2022 Holiday Season Outlook

Overcoming Economic
Uncertainty, Unbalanced
Inventory, and Sustained
Understaffing in Stores

This report analyzes survey responses collected between August 31 and September 9, 2022, from more than 300 store managers, owners, and executives to understand how retailers in the U.S. are preparing for the 2022 holiday shopping season while navigating high inflation, economic uncertainty, ongoing labor challenges, and the lasting effects of a global supply chain in crisis.



Will an Economic Slowdown Hinder Holiday Season Ramp-up?

Stores brace for *another* unprecedented selling season as inflation rises, consumer spending teeters, and the retail labor market has yet to bounce back.

We ring in yet another holiday season for which retailers have no historical playbook to draw from. We thought the industry had seen the worst in 2020, and then again in 2021, but the curveballs keep coming and retailers are learning that they can't look back on prior periods for answers and solutions the way they used to. Stores haven't dealt with inflation this high since the 80s. The labor shortage and inventory management challenges that surged in 2021 are still very present, and new COVID variants — some more contagious than others — continue to come and go.

This decade's persistently novel challenges are forcing retailers to innovate at lightspeed. **Those that can navigate this uncertainty proactively and give comfort to their employees and customers will have a happy holiday season.**

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Top 5 Challenges for Retail Stores Heading into the Holiday Season

Challenge

1

Inflation and economic uncertainty (58%)

Recession rumblings are giving retailers heartburn as they battle inventory storage costs, eroding margins, expensive employee turnover, and unpredictable consumer spending. Although demand for retail workers soared in the first half of the year, many stores looking to balance the budget are scaling back hiring as recession-talk ramps up.

At least



of retailers plan to hire seasonal store employees for the holidays

HOWEVER...

33% plan to scale back hiring for the remainder of the year, and 19% say when a full-time employee quits, they're not replaced.

More than a quarter say hiring freezes are likely (26%) and are taking steps now to proactively reduce headcount in stores (26%).

Due to inflation



1 in 5 retailers say holiday sales will be slimmed down compared to last year



Challenge

2

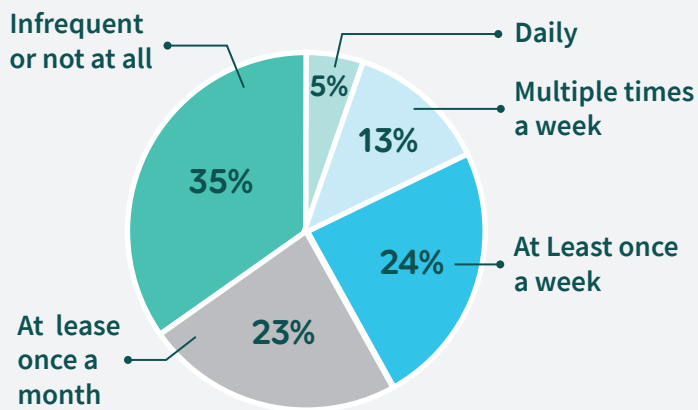
Health and safety risks, beyond COVID-19 (50%)

The 2022 holiday shopping season won't be defined by COVID-19, even though it's still far from an afterthought. But health and safety extends beyond masks, vaccines, and plexiglass. Risks related to mental health, increased theft, gun violence, and even "retail rage" are on retailers' minds.

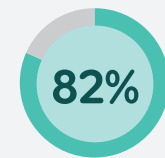
Mental health's impact on business: why it matters

Every day, frontline employees face complex workplace challenges — everything from understaffing to angry customers — that can have a significant impact on job performance, workplace culture, and productivity.

POLL: How regularly do store staff have to deescalate situations involving angry shoppers?

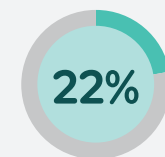


Although some agree "retail rage" declined in 2022, nearly a quarter (23%) have seen no change year over year and 13% think shopper behaviors have gotten worse.



of retailers

are concerned about the potential for burnout among store staff
(A small decline from 88% in 2021)



of retailers

provide mental health resources to store employees



Challenge

3

Attracting talent (49%)

The majority (82%) of retailers are concerned about understaffing in the upcoming season. The labor struggle is real, and retailers are questioning whether people even want to work in retail these days.

63%

of retailers agree:
"People don't want to
work in retail anymore."

(An improvement from
73% in 2021)

Top 3 Reasons People Don't Want to Work in Retail

1

People are concerned about workplace **health and safety risks** (52%)

2

People want **higher pay** than the retail industry typically offers (49%)

3

People want **more flexibility** than the retail industry typically offers (40%)



Challenge

4

Inventory shortages (48%)

Following months of surging demand and persistent supply chain challenges, retailers — especially those with fewer than 500 employees — warn that out-of-stock items could be at an all-time high this holiday season (33% strongly agree, 50% somewhat agree), and 85% advise customers to shop early to avoid inventory issues.

43%

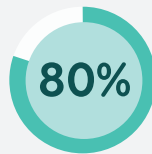
of retailers conversely said **EXCESS INVENTORY** is a top challenge today, and 28% said inventory levels are up year over year.

Declining profits (45%)

A quarter of retailers report stagnant (14%) or declining (11%) store profits year over year. Inflated costs and changing consumer habits paired with inventory buildup and aggressive markdowns could be to blame.

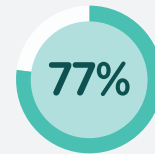
POLL: Why are you struggling to meet sales goals?

Because of the ongoing labor shortage:



strongly (34%) or somewhat agree (46%) – up from 68% in 2021

Due to mismatched supply and demand:



strongly (31%) or somewhat agree (46%)



Anticipating Seasonal Staffing Snags

Most retailers agree that customer expectations are already higher than what their stores can deliver in terms of service due to the labor shortage.

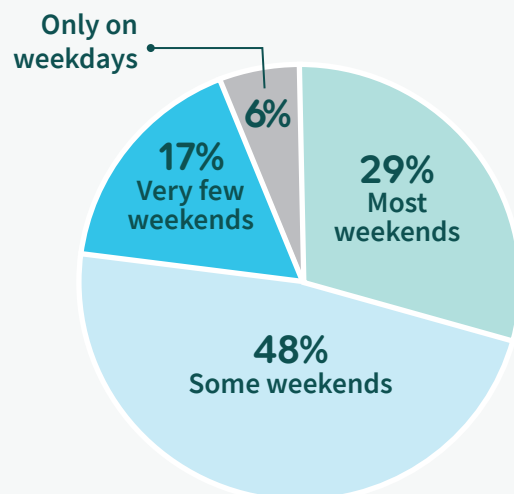
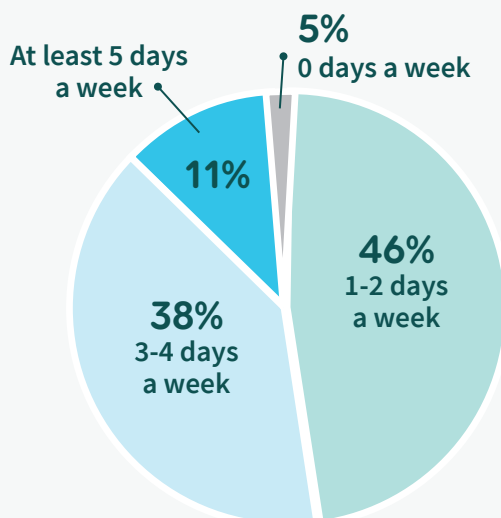


2021



2022

How often will stores be understaffed during the holiday season?



Almost all retailers (95%) expect stores will struggle with understaffing at least once a week and are braced for the weekends to be especially hard hit. **Nearly 3 in 4 (72%) go so far as to say their staffing challenges will directly impact customer experience** during peak season — and retailers with less than 500 employees are least optimistic (34% strongly agree vs. 23% of retailers with 500+ employees).

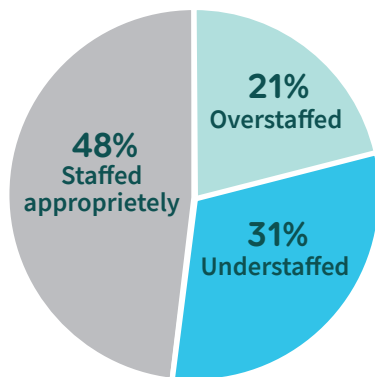
Pre-Holiday Staffing Patterns: What can we learn?

Staffing patterns in the late summer indicate a high likelihood of employee absence, understaffing, turnover, and ghosting — i.e., when a new hire doesn't show up for their first day or an associate suddenly stops coming to work and gives no notice — into the holiday season.

36%
of retailers

“Our stores altered business hours in 2022 due to insufficient staffing.”

Retail Stores in August 2022



During this timeframe, **1 in 5 retailers** estimate their stores were **understaffed at least half the time**

Nearly 3 in 4 retailers over-hired store staff in early 2022 in response to 2021's labor crisis

Look Back



At least once a week...

46%

employees were late for a scheduled shift

41%

employees called out of a shift with less than 24-hour's notice

30%

new hires did not show up for their first day

29%

employees unexpectedly stopped showing up

28%

employees quit

27%

employees were let go

Retailers' Top 5 Priorities for a Successful Holiday Season

Priority

1

Elevate the customer experience (57%)

1 in 5 retailers will invest heavily in experiential strategies to capture customers' attention during the holiday season, and **91% say store employees are instrumental to bringing these experiences to life.**

30%

OF RETAIL STORES
will open on Thanksgiving
Day, and 45% will offer
in-store exclusive Black Friday
deals to attract shoppers
the day after

88%

OF RETAILERS EXPECT
more holiday foot traffic in
stores this year than last,
while 85% predict an uptick
on Black Friday

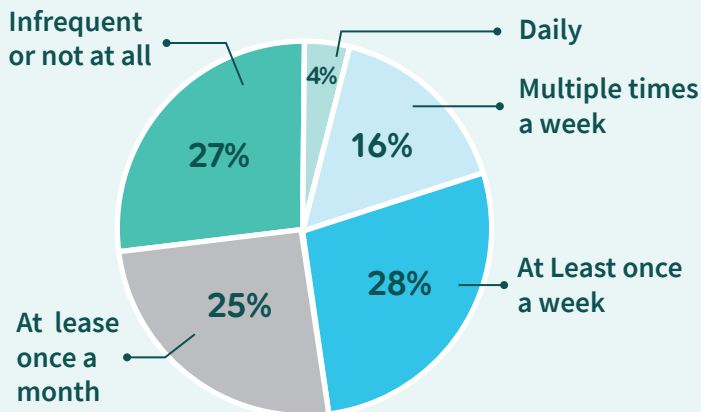
Priority

2

Increase efficiencies for managers (50%)

With the cost of labor increasing, the best way for managers to boost productivity is by leveraging their existing resources most effectively.

POLL: How often do store managers adjust staff schedules to account for unplanned absences?



Fewer than 2 in 5 retailers (37%) use software technology to optimize labor in stores

Those that do give store managers an advantage via intelligent scheduling, real-time shift coverage, and visibility into labor forecasts, workload, and tasks.

Increase convenience for shoppers (48%)

Retailers embrace digital transformation to make buying easier: consumer-facing automation, self-service features in stores, and fast — sometimes *ultrafast* — delivery are top of mind.

ONLY
12%

OF RETAILERS

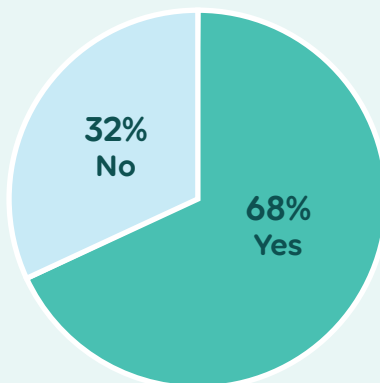
surveyed do not offer same-day delivery as 88% say it's available in at least some locations



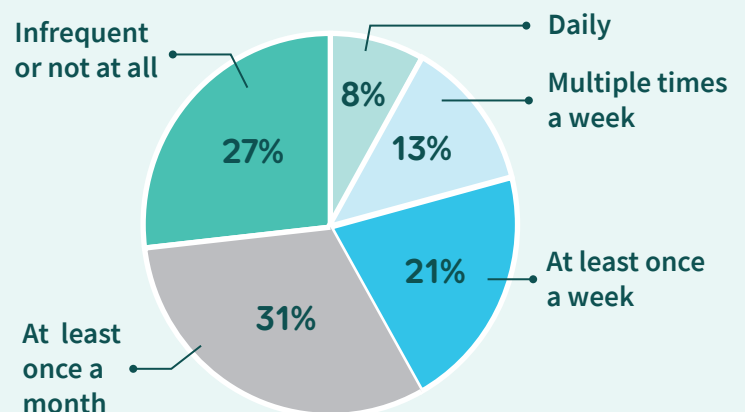
Match inventory with consumer demand (45%)

Retailers are committed to right-sizing inventories and clearing space for holiday merchandise, while strategizing to mitigate the risk of inventory buildup in the post-holiday season.

POLL: Did inventory arrive behind schedule in the past 30 days?



POLL: How often is merchandise marked down?



Create a seamless omnichannel experience (39%)

Stores are relying on people and technology to expand fulfilment options at increasing rates.



For the holiday season, **44% will recruit dedicated seasonal staff to pack and ship online orders from stores**, while 32% say store associates might even deliver online orders themselves.



Almost all retailers (98%) allow customers to pick up online purchases in-store—at least at some locations, if not all. Two-thirds (67%) have rolled out a BOPIS* strategy across their entire retail footprint.

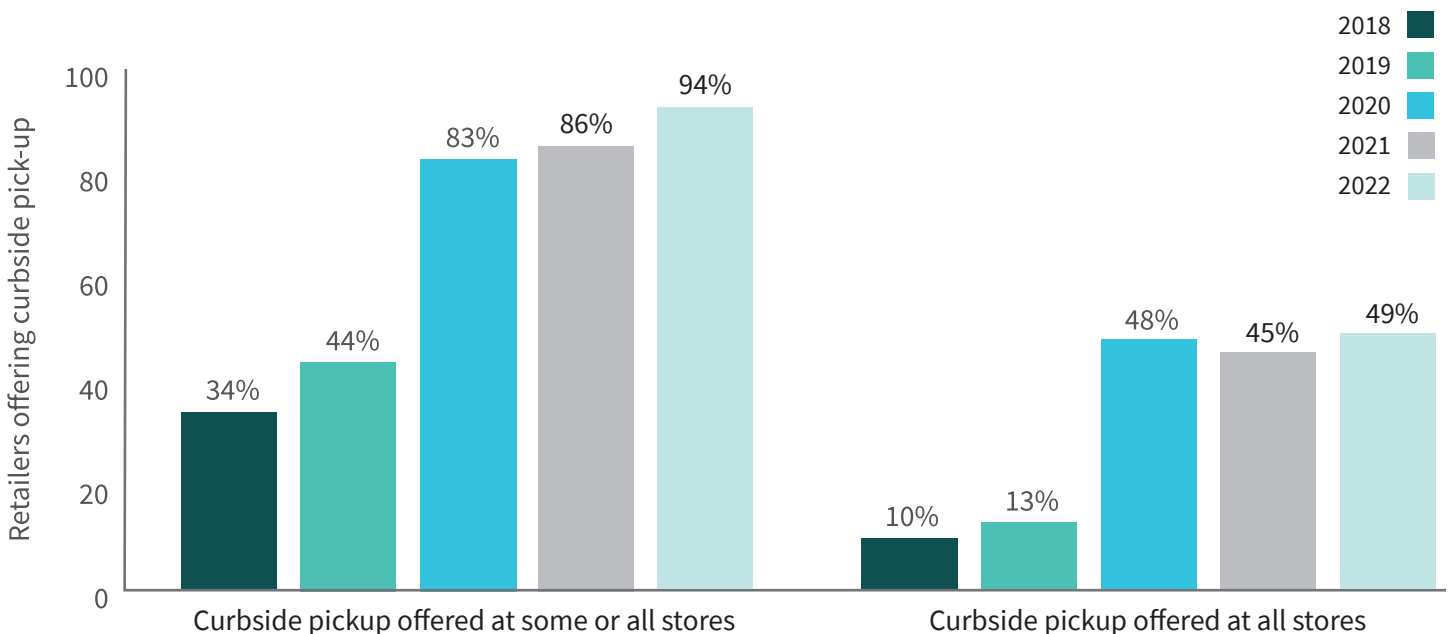


Availability of curbside continues to grow. After nearly doubling from 2019 to 2020, a record-high number of retailers now offer curbside pickup in time for the holiday season.

* Buy online, pick up in-store

Curbside pickup holds favor with shoppers and retailers

Undeniably convenient: Curbside is sticking around as a lasting vestige of numerable contactless solutions boosted by the pandemic in 2020



Retailers plan to counter staffing issues before the season starts

More than half of retailers (51%) will cross-skill store employees to handle multiple roles and take on any task. One in 5 (20%) identify cross-training as a ‘top 5 priority’ in preparing for the holiday season, as providing people with opportunities to grow their skillset and work in new areas can also help provide a deeper meaning of purpose and fulfillment.



For the holidays and beyond, gig workers are a real-time lifeline for retailers to fill gaps in their schedules. More than three-quarters (77%) plan to tap into the on-demand labor market this holiday season, driven by a need to scale to demand while fulfilling workers’ desires for ultimate flexibility.

POLL: How do retail stores source gig workers?

57%

use a gig economy app to hire and manage individual gig workers

48%

partner with a staffing firm

48%

rely on a third-party delivery service

43%

offer on-demand employment in-house

2022 Retail Labor Update

Monthly Changes in Workforce Activity:

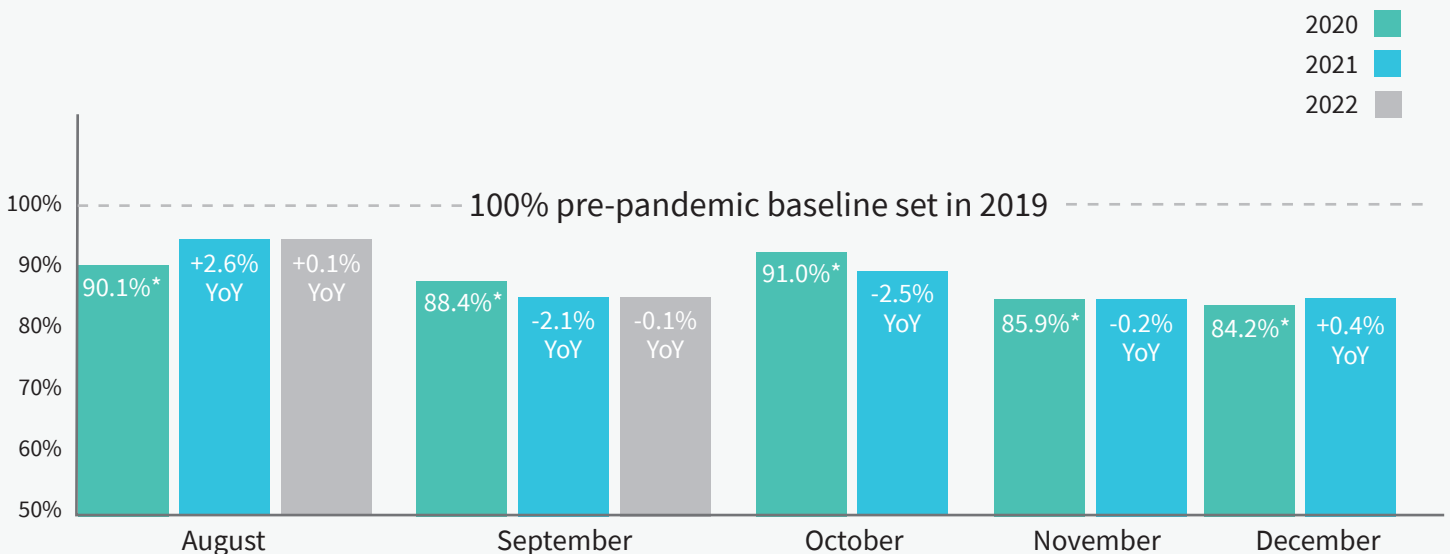
Retail shifts are down -3.1% from August to September, replicating the -3.7% drop recorded during the same timeframe in 2021. However, steady increases in retail shift work from October to December in 2020 (+1% monthly average) and 2021 (+1.9% monthly average) suggest labor activity could increase gradually through the end of the year.

Year-Over-Year Recovery Index:

While workforce activity in the retail sector is relatively flat year over year, shift work is still down roughly 10 points compared to pre-pandemic levels in 2019.



UKG Workforce Recovery Scale Holiday Season Snapshot: U.S. Retail Sector



UKG's Workforce Recovery Scale is a rolling 12-month index that measures workforce activity relative to the same month one year ago and provides a directional indicator for anticipated changes to the industry's labor participation rate.

*2020 percentages are based on a 100% pre-pandemic baseline set in 2019.

What Do Jobseekers Care Most About When Considering Employment in Retail?

- 1 Good pay
- 2 Flexibility to work the shifts they want
- 3 Enjoyable work
- 4 Parental leave and childcare
- 5 Employee discounts

Are stores giving employees what they want?

While things like “good pay” and “enjoyable work” can be difficult to measure, two-thirds of retailers (67%) are meeting demand for flexibility and around 2 in 5 provide family support benefits (39%) and employee discounts (40%). Other appealing benefits — like healthcare and Earned Wage Access — are offered by 37% and 34% of retailers, respectively.

Listen to employees: Make them feel safe, heard, and uniquely valued

What if retailers built schedules based on when people actually wanted to work? What if they gave overtime to employees hoping for extra hours, and scheduled people with limited availability only sparingly? Today, just 21% of retailers give employees predictable schedules and few have modernized scheduling processes to enable self-scheduling or factor in employee availability and preferences. For stores desperate for talent, these scheduling adjustments can make a world of difference to jobseekers.

Survey reveals an unmet opportunity to capitalize on demand for flexibility

ONLY
41%

OF RETAILERS
let store employees
self-schedule and
choose their
own shifts

ONLY
30%

OF RETAILERS
give employees flexibility
to work at more than one
location or brand

ONLY
14%

OF RETAILERS
base staff schedules
on employee availability
and preferences

Why Are Store Managers Quitting?

More than a third of retailers (36%) said goodbye to a store manager in August 2022, and 17% said managers quit at least once a week. We asked why, and retailers revealed store managers' top reasons when quitting. (*Surprise: pay isn't a top factor!*)

1

Managers are leaving in search of work with greater meaning or social impact (52%)

2

Managers want greater schedule flexibility (50%)

3

Managers feel disengaged (41%)

4

Managers feel bored or disinterested (37%)

5

Managers feel mistreated by customers (31%)

Competitive pay helps get talent in the door, but retailers find it's not enough to keep them.

Only 22% of retailers said store managers left for higher pay.

Adopt and adapt, quickly. The future of work is now.

Elevating manager and employee experiences leading into the holidays and beyond

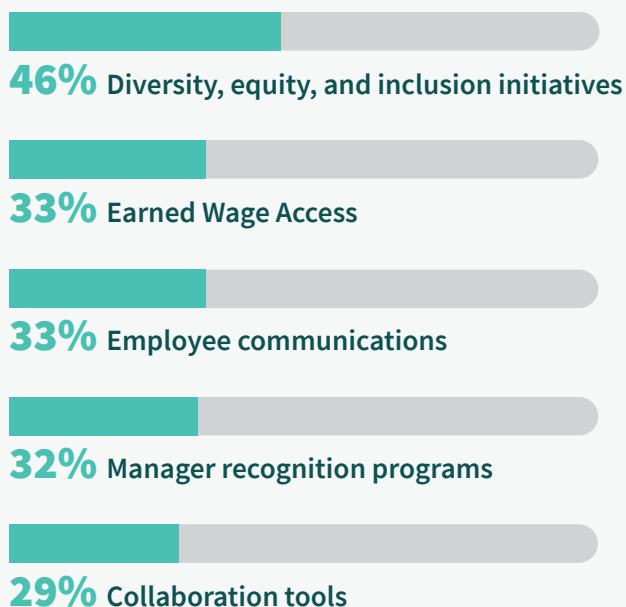
In stores, success is all about delivering an exceptional customer experience while controlling costs and empowering employees to perform at their full potential. When you put people first — from store associates and managers to warehouse and back-office workers — they're more productive and motivated to deliver exceptional customer experiences across all channels. This is especially vital during the peak-selling season.



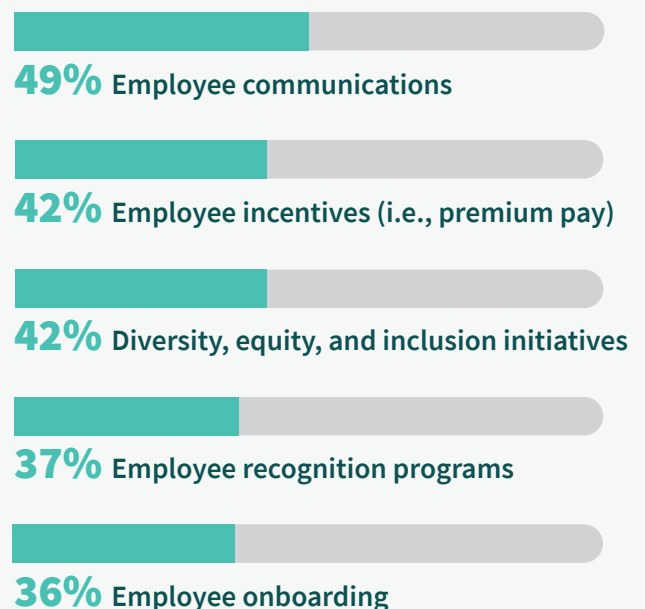
Investing in People is Good for Business

Here's what retailers are prioritizing or optimizing to inspire their leaders on the front lines and engage associates in stores.

Top 5 Focus Areas to Elevate the Manager Experience



Top 5 Focus Areas to Elevate the Employee Experience

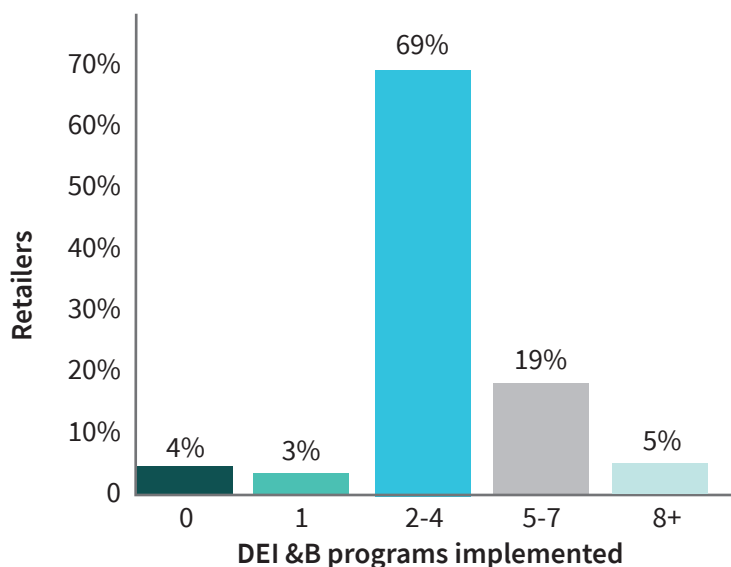




Diversity, Equity, Inclusion, and Belonging is a business imperative — 356 days a year

Retailers are leveraging digital transformation to cut through the noise in today's attention economy, and diverse voices are critical to driving continued innovation and growth. With diversity comes smarter and more creative ideas and the added potential to appeal to a broader market. But diversity cannot be sustained without equity, inclusion, and belonging — they all work together to create a culture where every single person can thrive at work.

POLL: How many of the following DEI&B programs have your stores implemented?



Retailers Are Embracing DEI&B

- 38%** Diversity training* for leadership
- 37%** Accessible features and customer service practices
- 34%** Diversity hiring goals
- 31%** Diversity training* for store employees
- 30%** Break time for employees who are breastfeeding/pumping
- 26%** Diversity training* for store managers
- 26%** Pay equity initiatives
- 24%** A commitment to support diverse owned brands
- 23%** DEI&B mentorship programs
- 23%** Employee Resource Groups (ERGs)

* Such as disability etiquette, LGBTQ education, and/or unconscious bias trainings

What are the most crucial priorities for retailers in 2023?

Despite economic uncertainty, retailers' priorities are aligned to take care of employees in 2023



Future success will be determined by the “total experience” retailers deliver.

Employee experience
+ Customer experience
= Total experience

- 1 Employee training and development (42%)
- 2 Employee experience and engagement (40%)
- 3 Customer experience (39%)
- 4 Diversity, Equity, Inclusion, and Belonging (38%)
- 5 Retaining talent (29%)



About UKG

At UKG, our purpose is people. As strong believers in the power of culture and belonging as the secret to success, we champion great workplaces and build lifelong partnerships with our customers to show what's possible when businesses invest in their people. Born from a historic merger that created one of the world's leading HCM cloud companies, our Life-work Technology approach to HR, payroll, and workforce management solutions for all people helps 70,000 organizations around the globe and across every industry anticipate and adapt to their employees' needs beyond just work. To learn more, visit ukg.com.

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This survey was commissioned by UKG and conducted online between August 31 and September 9, 2022, among a pool of 305 store managers, owners, and executives representing U.S.-based retailers spanning numerous industry segments, including big-box retailers, department stores, drugstores, and others specializing in apparel, electronics, furniture, home, luxury, discount, and sporting goods. Around one-third of retailers surveyed (31%) have 25+ stores, 56% employ more than 500 employees, and 42% operate a distribution center or warehouse.



Our purpose is people

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