

THE BIG STORY

Retail's workforce feels the tech effect

Hard-pressed retailers are finding cost savings by reducing their headcount and filling the gap with increasingly sophisticated technology. **Luke Tugby** reports

Sainsbury's is far from the only retailer seeking to streamline its business amid turbulent times, but last week's staffing overhaul attracted plenty of attention.

Head office and support functions have borne the brunt of restructuring measures in the past year or so, such as Tesco's summer streamlining of 1,200 head office staff and the closure of its Cardiff call centre.

But last week Sainsbury's revealed changes that will largely impact its stores.

Some 600 jobs will be lost centrally as it reshapes its HR functions at Sainsbury's Bank and Argos, but a further 1,400 will be axed in stores as it strips out HR and payroll clerk roles.

While job losses of such scale are always regrettable for the businesses that need to make them, the harsh reality is that the world has moved on – and retailers have to move with it.

The shift to online shopping, the ever-expanding reach of Amazon, the introduction of the national living wage and the apprenticeship levy, and the increase in sourcing costs following the fall in the value of the pound have all forced retailers to forensically examine their cost bases in order to protect profits and margins.

IT systems and technology have advanced at an equally rapid pace, meaning a number of highly labour-intensive roles that previously cost retailers hundreds of thousands of pounds every year can now be completed for a fraction of the cost.

Against that backdrop, they have to place their supply chain, trading, marketing, buying, human resources and shopfloor operations under the microscope to ensure they are getting bang for their buck from every function.

Does every store really need someone to oversee HR and a separate clerk to manage payroll, for example? The answer – and the one Sainsbury's arrived at last week – is almost certainly 'no'.

Digitising processes

Tasks like managing store rotas and pay simply don't need to be carried out by individuals, when payroll and personnel management systems such as PeopleSoft are at retailers' disposal for a fraction of the price.

As one management consultant tells Retail Week: "Sainsbury's has invested heavily in doing a lot of digital work over the last few years – and that's not been just about the customer experience, it's been about digitising the colleague experience as well.

"They will have things like rota tools available on people's smartphones and staff will be able to request holidays in that way as well, therefore the requirement for the same headcount in terms of HR will inevitably have disappeared.

"I think we'll see every retailer over the course of the next few years looking for ways to digitise various tasks in-store."

The next leap is likely to be technology that reduces the need for cashiers, like Amazon is trying in its Go store
Phil Dorrell, Retail Remedy

But while manual tasks such as stock-taking and re-ordering products could ultimately be lost to technology, retailers will likely seek to maintain service levels on the customer-facing frontline of stores.

Sainsbury's big four rival Tesco spoke at its half-year results about how "simpler structures" and changes to its replenishment model had freed staff up for more than 45,000 additional hours, which they could instead spend directly serving shoppers.

Another consultant explains: "Customers want all of these new and exciting services, but often it takes people in-store to make that happen. But at the same time, retailers have to remain incredibly competitive, so I think it is the support functions where retailers will find different answers, like outsourcing."

Is the cashier next to be axed?

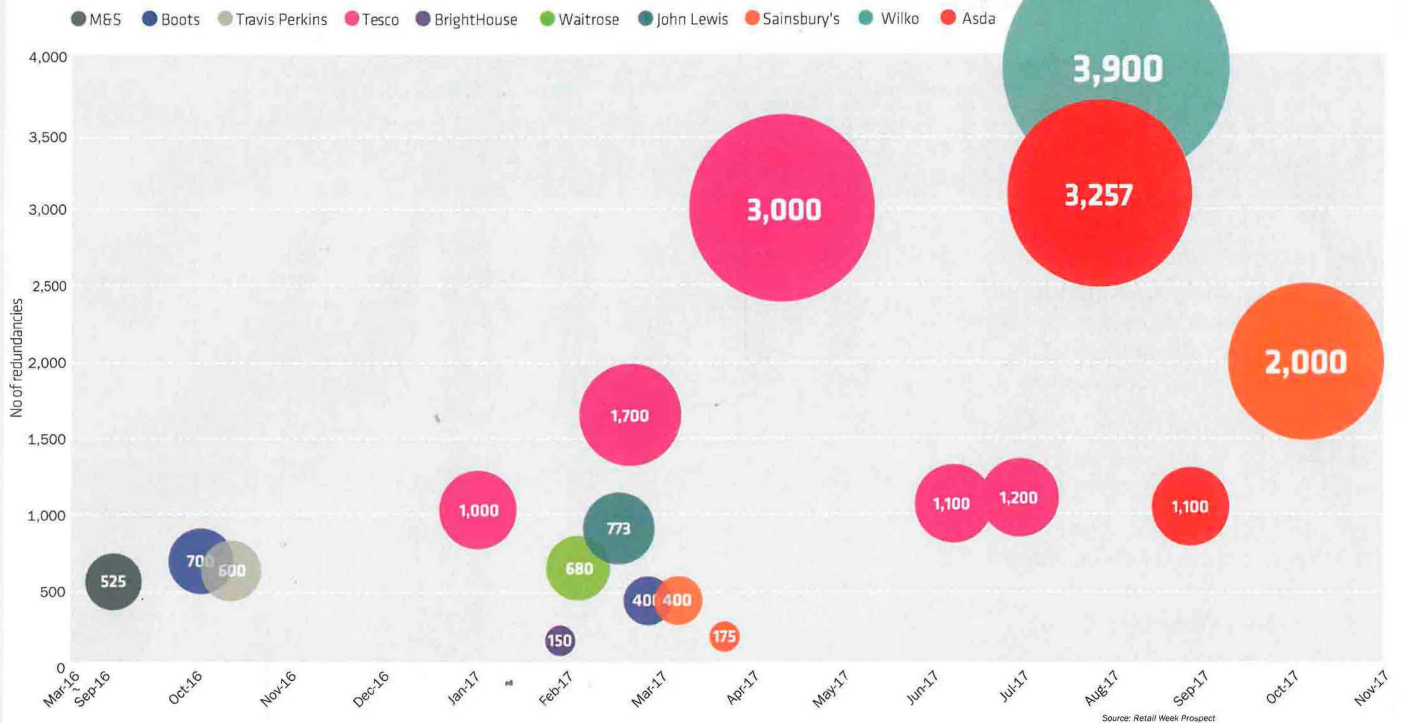
Although Retail Remedy partner Phil Dorrell believes there is more streamlining to be done

1,200
The number of staff axed by Tesco this summer at its head office

See our timeline and more data
on this year's retail job cuts
Retail-Week.com/Job-cuts-2017



Retail redundancies: The biggest retail job cuts reported since early 2016



Source: Retail Week Prospect

Data: Retail job cuts reach 20,000 in 2017

The number of retail job cuts, natural attrition and, in some cases, redeployment has surpassed the 20,000 mark in 2017.

More than four-fifths of the redundancies charted here are from 2017 alone. There were no redundancies revealed from March to August 2016.

Around three quarters of the redundancies affect store staff, with the rest a mix between head office, distribution centre and call centre roles.

Tesco has announced the highest number of cuts in the period, with 8,000 roles affected.

The trend continues to act as a stark reminder of bubbling structural unemployment arising from retailers' attempts to improve productivity, particularly as cost pressures rise and store sales come under pressure from the online channel.

Bricks-and-mortar retailers have been particularly vulnerable to the move to the national living wage.

UK retailers employ some 1.7 million people on wages close to the minimum wage, according to the British Retail Consortium.

The pressure of higher wages comes as retailers battle with increased business rates and bulging overseas sourcing costs as a result of weaker sterling. As a consequence, some retailers have created centralised facilities to benefit from economies of scale – Tesco is consolidating its call centre operations to its Dundee site, for example.

Rising costs have tipped others to invest in automation. Grocers, which employ a high number of shopfloor staff, have taken measures to automate processes, such as the proliferation of self-service checkouts. This – in part – resulted in Asda putting more than 3,200 jobs under review in August.

On the other hand, higher-level roles are being created, particularly around software and data, in an attempt to better adapt to changed shopping habits. This was underlined by Amazon's announcement in August that it will create 1,000 new jobs, including engineers and IT specialists.

Indeed, if recent retail employment forecasts are anything to go by, we can expect the phrase 'fewer, better jobs' to be championed by the industry for some time to come.

NICK FOUND

Methodology

The data is a collection of redundancies, natural attrition and redeployment figures as reported by the media between March 2016 and 19 October 2017. If a range of numbers were given, the highest possible figure has been used in the analysis.

within logistics and the supply chain, he predicts stores are braced for a payment revolution that will spark another wave of job cuts across retail's shopfloor.

"Self-scan checkouts have made a massive difference to the profitability of some of the smaller stores, but the use of those has plateaued," Dorrell suggests.

"The next leap is likely to be technology that reduces the need for cashiers, like Amazon is trying in its Go store. That's not going to happen

immediately, but in the next three to five years it will be here – you will see the sort of technology that will allow people to verify who they are, select goods and just walk out with them.

"For food and highly consumable products, that's the way it will be. I can see it happening at places like Screwfix, Toolstation, B&Q, Halfords – simply because they are rather mundane purchases, they aren't considered and you don't require anyone's input.

"That technology will help them trim their labour costs. It won't happen next year, but it will happen eventually and I think it will be the biggest change we see in retail in the next five years.

"Yet, even at that point, the drive to save on labour costs won't stop", Dorrell insists. "It will continue forever."

Sainsbury's is not the first and certainly won't be the last to choose technology over manpower as a means of cutting costs. **RW**