

# The Evolving Landscape of the Retail Industry – Effects of Covid-19

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A long line of customers, spaced six-feet apart, awaits entry into the local HomeGoods that has opened its doors to in-store shoppers again. They are anticipating the opportunity to reintroduce a sense of normalcy into their lives, a time where browsing through store aisles in search of a set of drapes to match living room decor was not deemed an irresponsible indulgence.

Beginning in March, retailers across the country made difficult decisions to temporarily shut down all or select stores across the country. For some, the choice was made for them as local and state governments mandated that non-essential retailers close their doors to customers. A retailer's financial status prior to the pandemic and forecasts on performance through the Covid-19 crisis have shaped wide-sweeping strategies for survival. Companies issued furloughs and mass layoffs as their stores shut down, following temporary and permanent closures of numerous locations. Job cuts eliminated positions from the sales floors all the way up to the corporate level. Macy's, which had been struggling to compete prior to the pandemic and initially furloughed most of its employees, has more recently cut approximately 3,900 corporate and management jobs.

On the other hand, the lead players are growing even stronger during the coronavirus crisis. Retail giants Amazon, Walmart, Costco, and Target are undeniably flourishing during the pandemic. Research published by McKinsey & Company on the consumer goods sector indicates that customers are likely to remain loyal to large retailers they recognize and value. "While these companies accounted for only 16 percent of the industry's growth in 2015-18, that figure rose to 39 percent in 2018-19 – and reached 55 percent in the first three weeks of April 2020."

As New Jersey entered Phase 2 of reopening on June 15th, which entails expanding the opening of non-essential in-person retail establishments, and with malls opening on a restricted basis on June 29 th, the story is yet to unfold on whether opening stores will provide struggling companies with a much needed boost for survival. However, consumer demand for an in-store shopping experience may not amount to sales that mitigate the labor and operation costs incurred. Given that stores are opening with capacity limits and social distancing measures, it will be interesting to see how store openings will influence the leisurely in-store shopping habits of America's consumers. Consequently, will browsing lead to more buying?

The future of work has been drastically altered as organizations adapt to the challenges presented by the outbreak of Covid-19. Adopting work-from-home and social distancing policies has forced companies to take a step back to re-evaluate what work is to be completed and restructure the way that work should be done.

For retail employees working on the sales floor and as cashiers, complying with social distancing and safety guidelines is now an essential job duty. These guidelines involve wearing masks and protective gear, cleaning high-contact surfaces, checking temperatures, and limiting contact with others. Ensuring that customers abide by these stringent guidelines is crucial. In fact, the personal care and beauty company Sephora has created a new role called a Hygiene Leader, who will be responsible for managing extensive and rigorous employee training programs on new health and hygiene guidelines in its stores. Many stores have instated line coordinator positions to monitor entry, manage crowd control, and ultimately ensure that social distancing takes place.

In addition, retailers have tailored to customers' needs and advanced their business by offering or promoting services such as Buy Online and Pickup In Store (BOPIS) and Curbside Pickup. Kibo Commerce released research findings showing that BOPIS orders have increased by more than 500% during the pandemic, indicating that consumers have adopted new routines. Also, as people have been using the extra time at home to complete projects, home improvement stores like Lowe's have seen huge success with growth in both online and in-store sales.

Essential businesses in the retail space that have remained open during the pandemic, such as grocery stores and pharmacies, had been offering their employees hazard pay or additional incentives to promote the continuity of labor supply. Whole Foods, which is owned by Amazon, had been paying employees an additional \$2 per hour until June 1st. Other retailers such as Kroger Co. and Rite Aid Corp. have also terminated increased pay policies. As non-essential retailers begin to open and more employees are returning to work in some states, hazard pay has concurrently been taken off the table. However, the threat of Covid-19 is still present – at least sixteen states have paused reopening plans at the end of June due to a rise in coronavirus cases.

Overall, it appears that jobs in the retail industry have undergone a notable shift. However, if coronavirus cases continue to spike, companies may find it necessary to revisit how to utilize and compensate retail workers.



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