



Future of labor

2023 NACS North America CEO Strategic Issues Summit

April 24th, 2023

A business of Marsh McLennan



Julia Cormier

Principal

Expert on organizational effectiveness, strategic workforce planning, and change management across a range of industries.

Focuses on helping clients identify differentiating capabilities and relevant talent transformations leveraging people analytics.



Bob ORR

Partner

Americas Oil and Gas and Sustainability Market Leader with 20+ years of management consulting experience.

Specializes in strategy development and execution in convenience sectors, and oil/gas. Strong focus on integrated growth and value optimization, market entry, and pricing.



Hunter Williams

Partner

Partner in Oliver Wyman's Retail and Consumer Goods practice with 15 years of experience.

Specializes in consumer insights, corporate strategy, pricing strategy, and transaction support across retail sub-industries

“THE FUTURE OF...”

A series of presentations for NACS by Oliver Wyman



The future of retail



The future of **labor**



The future of **mobility**



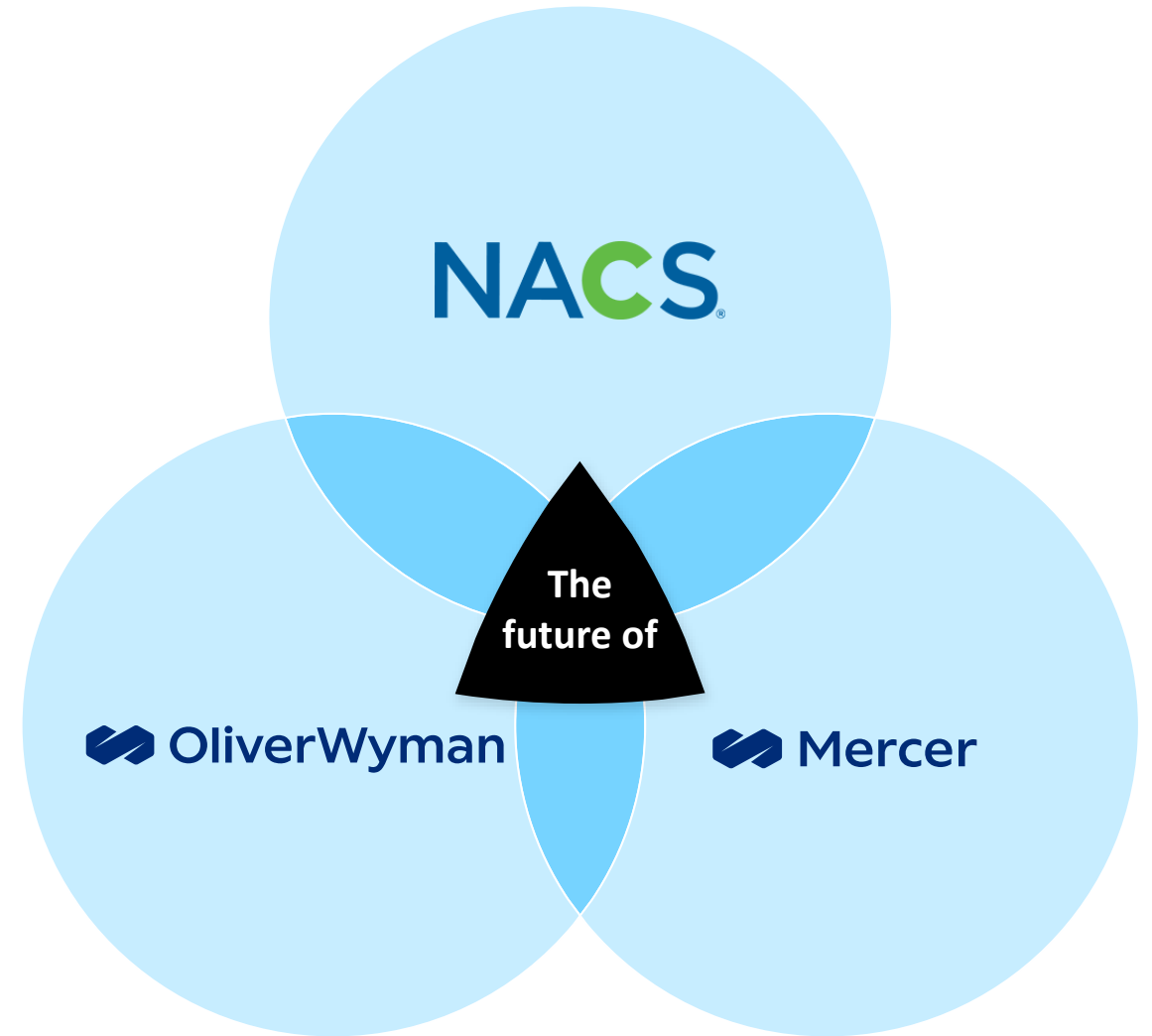
The future of **customer experience**



The future of **data**



The future of **payments**





The Climate Catalysts



The Digital Bloomers



The New Collars



Citizens of the Metaverse



The Hivemind Investor



The Psychedelic Explorers



The Wellness Protagonists



The Virtual Natives

OLIVER WYMAN RECENTLY CONDUCTED EXTENSIVE RESEARCH TO UNDERSTAND PERSONAS SHAPING OUR FUT

“Renaissance 2022”

As part of a program called Renaissance, Oliver Wyman surveyed more than 100,000 people across 10 countries to uncover eight new personas exerting huge influence over business and society

These personas represent 60% of our population and embody 30+ macro trends driving global shifts



THE NEW COLLARS ARE SHAPING THE FUTURE OF RETAIL LABOR...

New collars are blue-collar workers who used the pandemic to learn new skills so that they could find “better jobs” that offer higher wages, more flexibility and better benefits

New Collars are...

Championing the blue-collar revolution

Amplifying the blue-collar labor shortage

Proving the potential of self-led upskilling

Adapting to the age of automation

What makes them different

Their confidence in their ability to find new jobs

They value achievement and are investing in their development to build credentials

They are more community-oriented, resilient, and risk-taking than the general population

As the distinct colors of their collars fade, so too must outdated workforce expectations

...WITH SOME CONCERNS THAT SHOW THE TOLL OF TWO YEARS



Short-term
financial health



Work-life
balance



Long-term
financial health



Mental and
emotional health



Personal fulfillment
and purpose

INFLATION IS HITTING HARD FOR EVERYONE

Forcing changes in pay expectations



Changes retail workers made in response to inflation in 2022

64%

Reduced spending

28%

Reduced savings

Employee retirement plans or individual savings

37%

Tapped into savings to supplement spending needs

20%

Asked my employer for a raise

29%

Taken on additional work

Second job, gig/shift work, side hustle

13%

No action

12%

Changed my job for increased pay

Especially relevant to employers

70%

Of employees indicated that high inflation and market volatility in 2022 has significantly increased their financial stress.

This directly impacts **retention**, **pay expectations**, and indirectly employee productivity while also creating the opportunity for employers to **attract new part-time workers**.

FLEXIBLE WORK OPTIONS ARE STRONGLY DESIRED

Even among employees with jobs that can't be performed remotely



Most valued flexible work options for retail employees

48%

Ability to easily take time away from work for "everyday life" events

Doctor's appointments, kid, etc.

35%

Ability to choose my shifts

38%

Ability to flex my hours during the day on a consistent basis

6 am to 3 pm vs. 8 am to 5 pm)

34%

Ability to work remotely

36%

Ability to take vacation time at a time I choose

11%

Ability to work part-time

-11pp

Retail workers scored much lower on **work life balance** compared to the overall workforce (63% vs 74%).

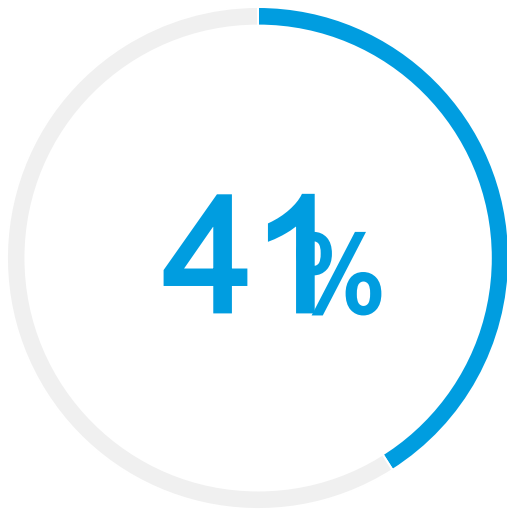
Work-life balance and work **flexibility** specifically is a top priority and can be a **powerful attraction and retention tool**.

WORKERS ARE NOT CONFIDENT ABOUT THEIR ABILITY TO SAVE FOR THEIR RETIREMENTS

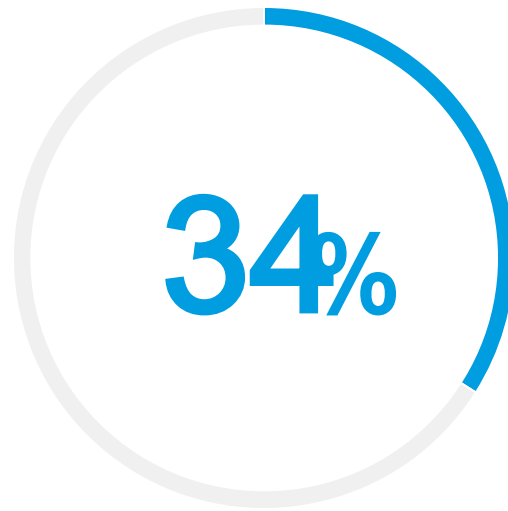
Older populations are looking for supplemental income



Key retirement benefits retail employees are interested in 2022



Employer matching retirement contributions



Employer allowing penalty-free distributions for emergency expenses

<30%

Of lower income workers (<60K) are confident they can turn retirement savings into consistent stream of lifetime income.

Long-term financial health benefits from employers can serve as a **differentiator**. Older workers that need additional sources of income can also represent a relevant **talent pool to tap into**.

CHALLENGING WORK DAYS, ON TOP OF PERSONAL STRUGGLES, CONTRIBUTE TO MENTAL HEALTH STRUGGLES FOR RETAIL WORKERS



Benefits or actions employees are seeking to support their mental health and ease burnout¹

- 1 Reduced workload
- 2 Expanded employee assistance program
- 3 Access to mental health apps
- 4 Modified work schedule (e.g., 4-day work week)
- 5 Enhanced access to local mental health providers
- 6 Modified work practices (e.g., fewer meetings, e-mails)
- 7 On demand access to virtual mental healthcare

~60%

Of retail employees report feeling **exhausted and frustrated** on a typical day at work.²

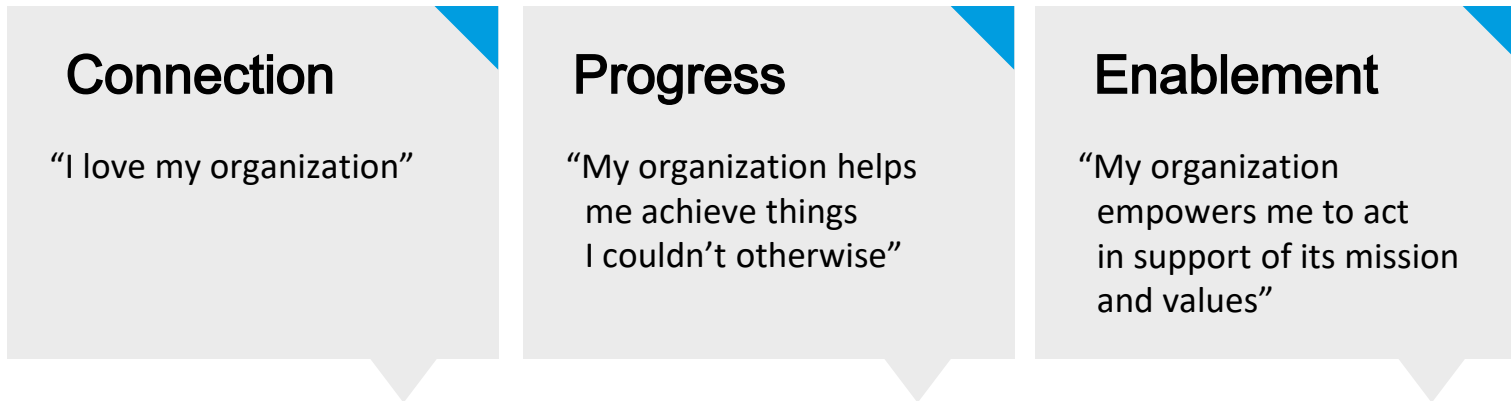
Retail workers acutely struggle with mental and emotional health which negatively impact their **productivity at work** or lead to impromptu **absenteeism**.

1. Mercer's 2022 Inside Employees' Minds® Study
2. Mercer's 2022 Inside Employees' Minds® Study, Results for Food Service, Retail and Hospitality Industry Sector;

EMPLOYEE FULFILMENT IN RETAIL CONSISTENTLY UNDERPERFORMS OTHER INDUSTRIES WHICH HURTING RETENTION



Employee fulfilment can be broken down into the following dimensions



Retail consistently underperforms other industries in its ability to deliver on each employee fulfilment dimension

- **5 percentage points lower** than all industries average
- **10–20 percentage points lower** than highest industry

+27pp

Difference in **employee retention** between companies that provide purpose and meaning in their work and those that do not.

Stronger sense of meaning and purpose also has a positive cascading effect on the **customer experience**.

ADDRESSING THESE CONCERNS IS A HEIGHTENED PRIORITY IN THE CONTEXT OF LABOR SHORTAGES

~50% of retail employees are considering leaving for the top following reasons



INVESTING IN THE EMPLOYEE EXPERIENCE (EXE) EQUALS (E)
INVESTING IN YOUR CUSTOMER EXPERIENCE (CX)

Cx ∞ ex^M

The impact of great employee experience compounds
for your customers with every colleague to colleague
and colleague to customer interaction

FOCUS ON THREE TRENDS IMPACTING EMPLOYEE EXPERIENCE AND SUPPORTING BUSINESS PERFORMANCE

1
Becoming an employer of choice

2
Transforming employee experience through technology

3
Investing in upskilling

Impact



Attract new talent pools



Increase retention rates



Improve labor productivity



Enhance customer experience



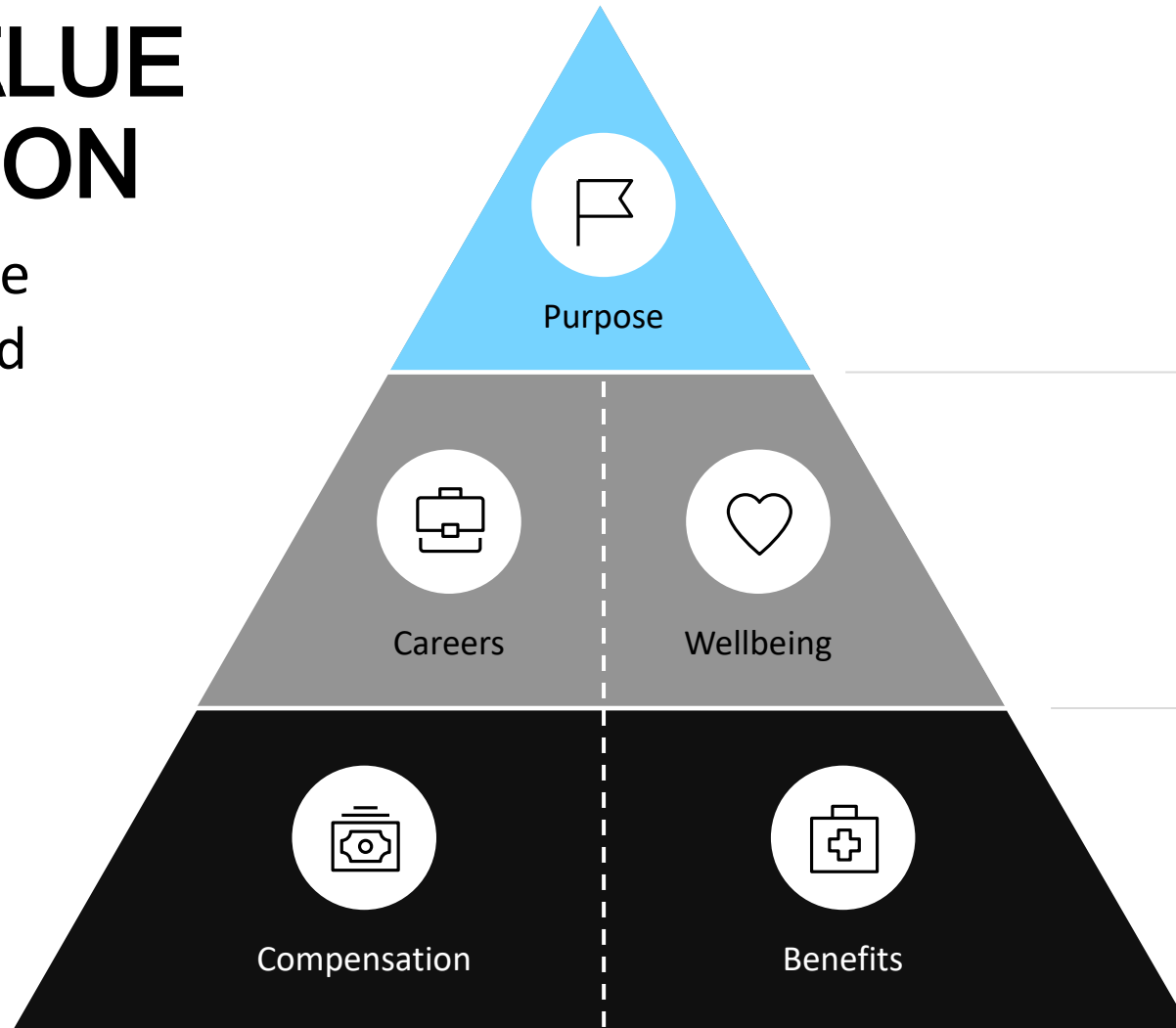
Create deeper engagement with local communities



Positively impact margins

EMPLOYEE VALUE PROPOSITION

goes well beyond the monetary aspect and is at the core of employee loyalty



Connect emotionally

Build staying power through a company purpose that provides its employee with meaning and inspires an emotional connection

Create a differentiated experience

Empower people's careers, design a positive employee experience and supportive work environment

Provide a competitive package

Offer compelling salaries, health and other benefits to help sustain employee livelihoods

Redefine what it means to work in a retail convenience store



My work matters

Feeling of purpose and achievement
Positive impact with local communities
Relationship-building opportunities with customers
Empowerment to make a difference



This job works for me

Personalized and flexible work schedules
Diverse and supportive team culture
Less physically demanding and more stimulating
Robust employee health and wellbeing benefits



I can grow here

Formal and informal learning opportunities
Variety of experience across store functions
Transparent and accessible career path
Financial stability and incentives to think like an owner

Deliver on that value proposition on the ground

Store managers are critical as they are...



The face of the organization and guardian of its values in each store



A key decision-maker in talent hiring



The biggest influencer of the store “culture” and norms (spoken and unspoken)



A critical enabler for employee development and career progression

They can have tremendous impact by...



Leading by example and “walking the walk”



Creating a safe space for everyone and building a sense of belonging



Being visible, accessible and less transactional with employees



Investing time to coach employees individually



Publix creates a sense of ownership to drive retention

Publix travels to high schools to conduct career workshops to attract talent and has championed programs to hire employee with disabilities

Publix almost exclusively promotes from within and focuses on creating long-term trusted relationships with its employees and customers

Publix offers employees/associates ownership through profit-sharing plan funded with year end bonuses

Impact



1 out of 3 store managers started at Publix as teenagers



44,000 Publix associates have been with the company for 10+ years



~90% of the company's 225,000 employees own stock



CEO started at Publix +40 years ago as a store clerk



Chick-Fil-A enables flexibility with a 3-day work week

Employees can choose to sign up for a condensed work week

Employees are organized in two pods that work 13–14 hour shifts for three consecutive days

Each month employees get seven consecutive days off

Impact



100% retention of store leaders throughout the program



Improved customer service times and performance on food safety inspections



Significantly increased job attractiveness (collected 420 applicants from a single job opening)



Increased connectedness at work through predictable schedule facilitating get togethers



CVS health believes that talent is ageless

“Talent is Ageless” program recruits and retains colleagues aged 50 + in partnership with several private and public, national / state / local organizations

Program is augmented by Alternate Work Arrangements enabling remote work, flextime, job sharing, and compressed work weeks

CVS Health has developed a culture respectful of older workers, and launched mentorship programs to leverage senior workers’ experience

Impact



CVS’ workforce is representative of its customer base with 16% of CVS’ 2020 workforce aged 55+



CVS believes mature workers provide increased experience, and dependability



CVS has access to a wider talent pool that can work flexibly

FOCUS ON THREE TRENDS IMPACTING EMPLOYEE EXPERIENCE AND SUPPORTING BUSINESS PERFORMANCE



Impact



Attract new talent pools



Increase retention rates



Improve labor productivity



Enhance customer experience



Create deeper engagement with local communities



Positively impact margins

NEW TECHNOLOGIES ARE ALREADY CHANGING THE NATURE OF RETAIL



In-store automation

Automate or augment repetitive and manual processes

- Automated checkout
- Smart shelves
- Automated ordering systems

Omnichannel management

Manage online-to offline channels and offerings as well as inventory in real time

- Click and collect in-store
- Home delivery

Centralized communications

Communicate real-time to update, engage, and reward employees

- Employee messaging
- News and updates
- File sharing
- Digital front door

Workforce management

Manage and monitor employee schedules and staffing

- Shift swapping
- Workforce forecasting
- Automatic allocation

Employee enablement

Provide front-line workers with live support and/or augmented information

- Product information
- Checklists / audit
- Dashboarding

Employee development

Offer micro-learnings, streamlined onboarding, and career portal

- On-the-flow learning
- Onboarding tools
- Career paths

...IMPACTING EMPLOYEES' RESPONSIBILITIES AND WAYS OF WORKING

Shifting **what** employee responsibilities are

Employee reviews sales reports and adjusts promotion campaign remotely; shelves automatically update with prices

Employee focuses on assisting customers by suggesting new products; customers pay using automated checkout systems

Shifting **how** employees deliver on responsibilities

Sensors alert that facilities require employee maintenance; task is assigned to an available employee

AI insight suggests repurchasing a product that is selling faster than usual; store manager approves the purchase

Opportunities and considerations



Employees can focus on customer experience as automation is leveraged for manual tasks



Employees require different skillsets (e.g., greater interpersonal and technology skills)



Employee decision-making is augmented by local insights and data



Employees can be managed more by objectives rather than discrete tasks

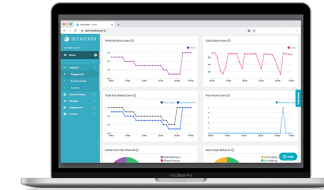
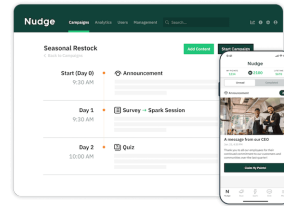
MANAGING MULTIPLE
TECHNOLOGY CHANNELS
CAN BECOME A BURDEN
FOR RETAIL WORKERS

72%

of frontline employees
feel worn out at the
end of their shift¹

DIGITAL FRONTLINE EMPLOYEE PORTALS HAVE EMERGED TO CENTRAL AND INTEGRATE INFORMATION AND TOOLS MORE SEAMLESSLY

Platform examples



Communications	<ul style="list-style-type: none"> • Chat, video, and live stream • Document library • Branded app 	<ul style="list-style-type: none"> • Segmented communications • Employee resource hub • Two-way feedback • Branded app 	<ul style="list-style-type: none"> • Segmented communications • Employee messaging 	<ul style="list-style-type: none"> • Segmented communications • Employee messaging • Inline translations • Branded app 	<ul style="list-style-type: none"> • Employee email • Front door intranet • SharePoint/Teams • Branded app
Workforce management	<ul style="list-style-type: none"> • Realtime insights • Scheduling management 	<ul style="list-style-type: none"> • Intelligent workforce analytics 	<ul style="list-style-type: none"> • Shift management • Open shift marketplace 	<ul style="list-style-type: none"> • Shift management 	N/A
Employee enablement	<ul style="list-style-type: none"> • Task management • Audits and checklists • Virtual helpdesk 	<ul style="list-style-type: none"> • Task management • Guided task execution • Team checklists 	<ul style="list-style-type: none"> • Task management • Audits and checklists 	<ul style="list-style-type: none"> • Task management • Digital checklists 	N/A
Employee development	<ul style="list-style-type: none"> • Mobile learning • Employee feedback 	<ul style="list-style-type: none"> • Employee engagement 	<ul style="list-style-type: none"> • Employee learning • Express pay 	<ul style="list-style-type: none"> • Teammate recognition 	N/A

FOCUS ON **THREE TRENDS** IMPACTING EMPLOYEE EXPERIENCE AND SUPPORTING BUSINESS PERFORMANCE

1

Becoming an employer of choice

2

Transforming employee experience through technology

3

Investing in upskilling

Impact



Attract new talent pools



Increase retention rates



Improve labor productivity



Enhance customer experience



Create deeper engagement with local communities



Positively impact margins

AS THE EMPLOYEE EXPERIENCE EVOLVES, SO DO THE SKILLS REQUIRED TO DO THE JOB

Need for up/re-skilling is intensifying especially around customer service and technical skills...



50%

Of all employees will need reskilling by 2025, as adoption of technology increases



51%

Of new employees do not feel they have the necessary social skills to enter the workforce

AS THE EMPLOYEE EXPERIENCE EVOLVES, SO DO THE SKILLS REQUIRED TO DO THE JOB

...and current learning and development programs are often not able to meet employees' needs



35%

Of frontline workers said that a lack of employee training is impacting their day-to-day work



29%

Of workers said they don't have access to adequate training and upskilling

New learning options are challenging the rationale that “it is difficult and costly to deploy training for frontline workers”



CFO

What happens if we invest in developing our people and they leave us?

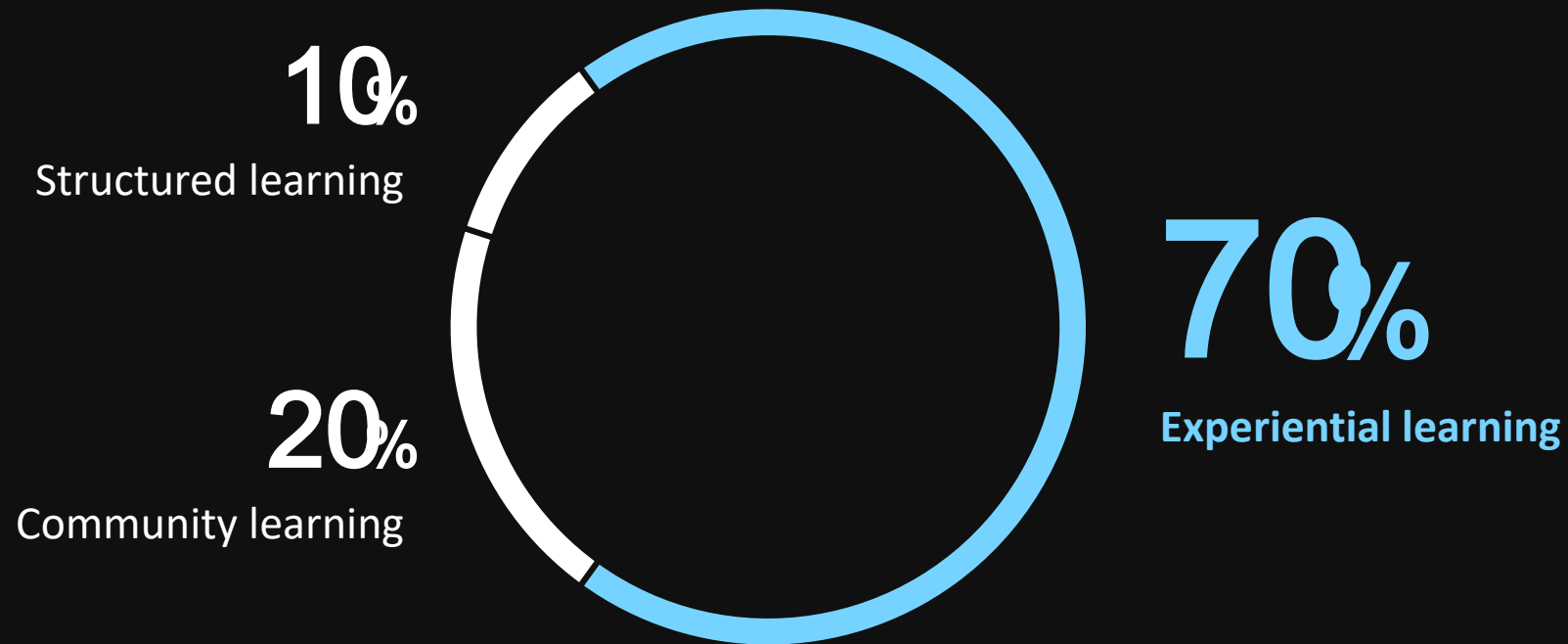
don't and they stay!



CEO

UPSKILLING SHOULD BE A HOLISTIC AND CONTINUOUS LEARNING EXPERIENCE

Recommended learning solutions allocation



UPSKILLING SHOULD BE A HOLISTIC AND CONTINUOUS LEARNING EXPERIENCE

Tips for effective **experiential learning**



Leverage high-performers as “teachers” and promote knowledge sharing



Embed bite-size learnings in the flow of work



Cross-train employees across positions to build skills breadth



Tap into external providers to build learning content more rapidly



Incentivize critical skills learning through bonuses or gamification



WALMART'S IMMERSIVE CUSTOMER SERVICE TRAINING

Walmart partners with Strivr to use VR to create immersive learning experiences

After a successful pilot, Walmart provided Oculus VR headsets to all US stores to allow +1 million associates to learn experientially

VR includes training like “Be Kind”, focusing on how to manage difficult customers in stressful times, and “Holiday Rush”, simulating chaotic environments like Black Friday

Immersive learning is part of a strategy to enable employees to learn in ways that work for them

Impact



VR improves confidence and retention, improving test scores 10-15%



Associates reported 30% higher satisfaction with learning



Walmart has more than 45 activity-based modules to teach new tech, soft skills, and compliance

FOUR TAKEAWAYS

From today's session

1

Get to know your people

Get a real-time pulse on your employees' satisfaction – what's the good and the bad?

2

Define what it means to work for you

What do employees get in return? Why should they choose you over another job?

3

Redesign not replace

Leverage technologies to rethink your employees' roles and enhance their experience

4

Invest for the long term

Create a culture of continuous learning to accompany changes in the industry

CONNECT WITH US



Julia Cormier

Principal

Julia.Cormier@oliverwyman.com

Boborr

Partner

Bob.Orr@oliverwyman.com

Gyongyvemenesibondar

Senior Adviser

Gyongyver.Menesi-bondar@oliverwyman.com

MikeMatheis

Partner

Mike.Matheis@oliverwyman.com

Hunter williams

Partner

Hunter.Williams@oliverwyman.com



DAVID KOPSCH

Senior Principal

David.Kopsch@mercer.com

Crystyl swanson

Principal

Crystyl.Swanson@mercer.com



A business of Marsh McLennan