

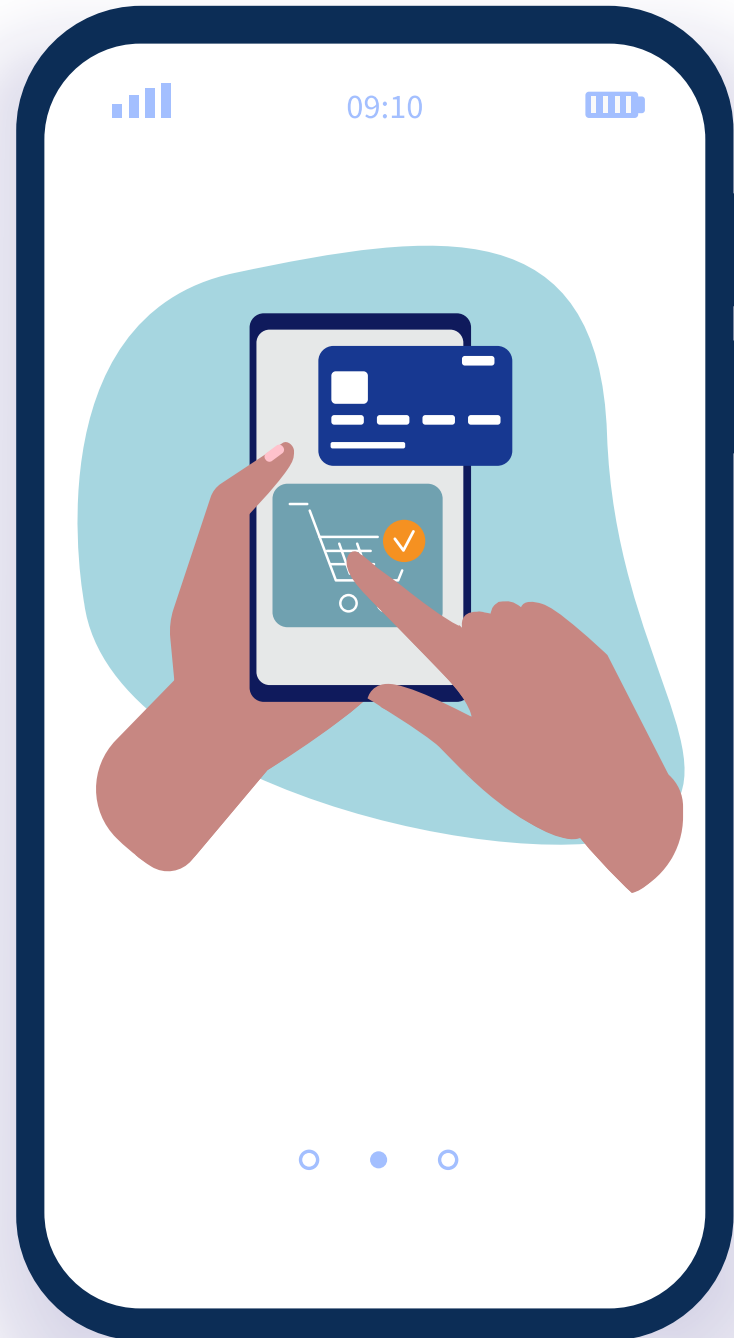
What You Need to Know to Become an Agile Retailer in Today's Changing Landscape



Introduction

While many brick-and-mortar stores temporarily closed during the peak of the pandemic, shoppers turned to their laptops, tablets and smartphones to purchase everything from groceries to furniture to electronics. This shift to e-commerce was a continuation of some longer-term trends affecting the retail industry.

The rise of e-commerce is expected to accelerate quickly in the years ahead. In this e-book, we'll look at three e-commerce trends that are redefining the retail industry and how having qualified on-demand staff can help retailers capitalize on these trends.



What Is the Future of E-Commerce?

The unprecedented scale of the pandemic has had a tremendous effect on today's customers, and as a result, retailers of all sizes and across all industries are needing to stay agile so they can adapt to the current environment. Instead of the recurring and seasonal demand cycles that retailers are used to, they must now contend with consistently high e-commerce demand year round.

- eMarketer is predicting that U.S. e-commerce sales will make up about 14.5% of total retail sales, or \$709.78 billion, in 2020.
- By the end of 2024 that percentage will grow to 18.1% of all retail sales, with online sales surpassing \$1 trillion for the first time.

Retail E-Commerce Sales in the U.S., 2018-2022

Billions and % of total retail sales

2018: \$523.64, 9.9%

2019: \$601.65, 11.0%

2020*: \$709.78, 14.5%

2021*: 765.17, 14.4%

2022*: \$859.28, 15.5%

*Projected.

Source: eMarketer, 2020

With e-commerce continuing to show tremendous progress, retailers are under even more pressure to ramp up their staffing so that they can meet consumer demand. But even in 2019, with a historically low U.S. unemployment rate of 3.5%, retailers struggled to find enough staff for their fulfillment operations, according to the 2020 State of Retail Supply Chain Report produced by Auburn University's Center for Supply Chain Innovation in collaboration with the Retail Industry Leaders Association (RILA) and DC Velocity.

Before the pandemic, 84% of survey respondents said retaining talent was a major challenge for their organization. Hourly-associate staffing was expected to be their greatest challenge over the next three years.

When including all the jobs in fulfillment, delivery and related roles, e-commerce has created more jobs between 2007 and January 2020 than brick-and-mortar retailers lost, according to the Progressive Policy Institute. While retailers will find no shortage of candidates to work as the unemployment rate hovers around near-record levels, hiring the right staff to meet fluctuating demand will continue to be a priority.

The Brick-and-Mortar to E-Commerce Transition

Although retailers have reconfigured their stores so that shoppers feel safe and return to an in-store shopping experience, customers still likely view in-person shopping as an added risk and will instead go online for a safer, more comfortable option.

Convenient matters to them, too: Shopping for products online allows customers to review their options and make purchases easily from their device. Retailers will have to respond by optimizing the shopping experience and ensuring that these items are delivered correctly and on time. Retail stores, shopping centers and malls were closing due to declining foot traffic even before COVID-19. Now more retailers than ever are deciding that their current stores may be better suited for filling e-commerce orders.

To capitalize on shifting consumer habits, many retailers have converted their retail spaces into e-commerce fulfillment centers. An analysis from the commercial real estate services and investment firm CBRE Group, Inc. found that since 2017, 60 new retail-to-industrial conversion projects have been completed or are underway in the U.S. In total, 13.8 million square feet of retail space has been converted to 15.5 million square feet of industrial space.



The faster that consumers demand delivery of their products, the closer that these products need to be shipped. E-commerce warehouses located within proximity to store locations and customers can be a tremendous benefit. Transforming brick-and-mortar stores into fulfillment centers has minimized delivery times in many cases by locating products as close to their final destinations as possible.

As online retail expands, many retailers will pursue opportunities to convert their underperforming stores into distribution sites to support ecommerce operations. With retailers converting their prime real estate into fulfillment centers, the next step is to hire staff that will keep these operations running smoothly so that customers continue to have a positive experience.

Although there's no magic formula for finding the appropriate staffing levels, having the support of on-demand workers often helps retailers strike the right balance while still allowing them to pivot at a moment's notice. Over time, as volume levels and consumer patterns become clearer, retailers can adjust their staffing levels while still maintaining high quality.

Top 5 U.S. Markets for Retail-to-Industrial Conversions

Market	Number of Projects	SF Retail Space	SF Industrial Space
Milwaukee	5	608,910	570,140
Cleveland	5	3,287,765	2,542,573
Chicago	4	609,150	966,680
Omaha	3	230,150	260,150
Dallas/Fort Worth	3	1,021,178	1,639,000

Source: CBRE, 2020

Potential Disruptions in Delivery Times

As online sales have become essential for generating sales and increasing profit margins, retailers are facing additional challenges with the introduction of safety measures such as social distancing, which, in terms of the supply chain, often means that fewer people could work at any given time, thus slowing down the process.

Meanwhile, major delivery services including the USPS, FedEx and UPS have experienced significant delays with the excessive number of packages being shipped, and retailers can likely expect future service disruptions that affect their ability to get deliveries to shoppers on time.

An increase in e-commerce activity highlights the need for retailers to improve their digital supply chain operations to better balance the desire for lean inventories with the need to be prepared for surges in demand. Retailers are gradually moving toward keeping much less inventory in stock, and manufacturers have been producing goods on a tighter schedule. Peak periods are becoming more unpredictable, so retailers will need to find scalable and flexible solutions throughout their supply chains.



For today's retailers, the use of on-demand staff has certain advantages over traditional full-time staffing methods. If they staff up too much, they may have to pay idle employees. But if they hire too few, they could fall behind in filling orders and meeting customer demand. Hiring on-demand staff can help process customer returns in a timely manner while fulfilling new orders as well. Fast and accurate delivery is the expectation now, and it increases the likelihood that customers will return to a retail store—or website—again.

45%

of consumers have shopped with online retailers they have not previously used and intend to continue shopping with them based on their excellent experience.

44%

of shoppers have tried at least one new brand during the pandemic because their standard brand was either unavailable or took too long to be delivered.

Evolving E-commerce Demands of the Modern Consumer

Some retailers have successfully adapted to their new environment, by offering buy online, curbside pickup, and other contactless options that prioritized customer safety while providing a convenient shopping experience. Others have struggled to make those same adjustments. Those that have been able to explore new e-commerce opportunities are poised to stay ahead of their competition.

People are still shopping with their favorite retailers, but they're now doing so from the comfort of their own homes. Their lists include daily needs—essential items such as groceries and household supplies—and seasonal wants like clothing and holiday gifts. Now that the shift to online shopping has accelerated in a major way, retailers will need to maintain and even boost their current staffing levels.



Evolving E-commerce Demands of the Modern Consumer

Given the uncertainty around shopper behavior and their relatively new adoption of e-commerce, questions remain about how these consumer patterns will look in the long term. That often makes it difficult to determine how much staff retailers need. Forecasting is a major concern in retail supply chains, with over 30% of retailers and manufacturers noting it as their biggest challenge, according to the 2020 State of Retail Supply Chain Report.

The growth of e-commerce has significantly altered how people shop and what they buy, and these changes in consumer behavior are poised to have a tremendous impact on the retail industry. When retailers hire on-demand staff, they can help to meet unexpected business fluctuations due to seasonal and cyclical demand.



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