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Retailers can't hire fast enough, but retail startups are shedding workers to cut costs

Article

The trend: Amid a labor shortage that shows no sign of receding, retailers are adopting a number of tactics, from boosting wages to adopting automation, to attract talent and maintain productivity.

- At the same time, companies with a more tech-focused approach to retail, like **Amazon**, **Reef Technology**, **Thrasio**, and **Uber**, are either slowing their hiring or cutting workers in an effort to save money.

Walmart outmuscles competitors: For some retailers, lacking workers is not an option. **Walmart**, the US' largest private employer, has used its market position—and significant resources—to its advantage, raising pay for more than a half-million workers and building a new corporate headquarters complete with amenities.

- Walmart is struggling to find enough store managers, **despite average pay for the role reaching $210,000 in 2021**.
- That's led the retailer to launch a recruitment and training program aimed at enticing recent college graduates to join the company. Those accepted will receive a starting salary of at least $65,000 and be put on an accelerated two-year management track.
- The retailer also recently **boosted starting pay for long-haul truck drivers to up to $110,000** to juice recruitment efforts amid a nationwide driver shortage.

Restaurants slim down: With restaurants still struggling to attract employees despite higher pay and sign-on bonuses, they've had to revamp their operations to accommodate leaner teams.

- **Domino's** CFO **Sandeep Reddy** noted on the company's Q1 earnings call that labor constraints forced store locations to reduce operating hours, restrict online orders, and not answer phones, leading to a decline in orders and same-store sales.
- Employment in the food services sector is down **6.4%** compared with pre-pandemic levels, per the National Restaurant Association, even as consumer spending in restaurants is rising.
- That's led restaurants to ramp up use of robots and automation and expand the use of takeout-only ghost kitchens to streamline service and meet demand.

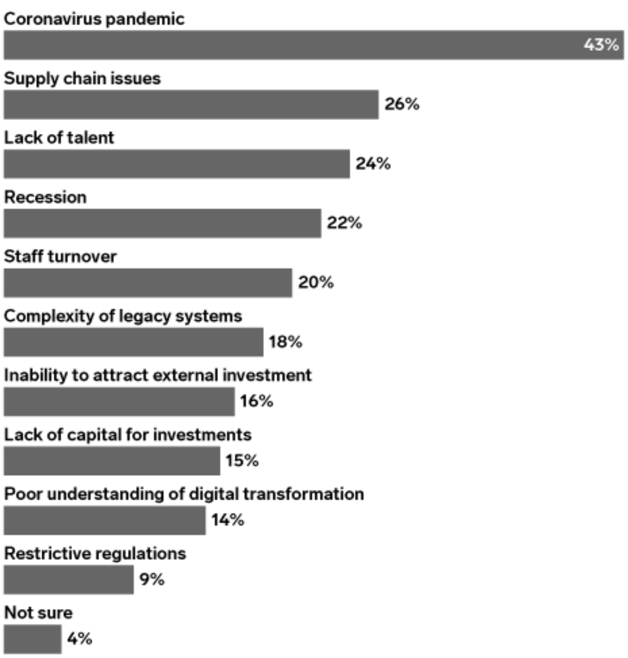
On the flip side: But even as more restaurant chains embrace ghost kitchens, Reef Technology, which operates dark locations for **Wendy's** and **TGI Fridays**, among other fast-food brands, is **cutting 5% of its workforce**.

- Food delivery platform **Gopuff** laid off 3% of its global workforce in March in a bid to cut costs.
- Thrasio, an Amazon aggregator, announced layoffs and leadership changes as it recalibrates to focus on more sustainable growth amid a broader slowdown in ecommerce.
- Even Amazon, which like Walmart boosted pay and benefits aggressively to woo jobseekers, is now experiencing overstaffing in its warehouses, CFO **Brian Olsavsky** said.

The big takeaway: The labor market is a tale of two halves: With consumers rushing back to stores, retailers with a heavy brick-and-mortar presence have no choice but to raise wages and offer incentives to keep their stores staffed.

- On the other hand, unprofitable tech startups that previously relied on a virtually unchecked flow of venture capital are now having to tighten their belts—and workforce—and show investors they have a path toward profitability.

Barriers to Achieving Performance Ambitions Next Year According to US Business Decision-Makers, Dec 2021
% of respondents



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