

# Retailers may need to boost wages to deliver a good customer experience

Article

**The landscape:** While retailers struggle to keep costs in check, they're also having to consider raising wages to attract and retain workers given the tight labor market. Moreover, without

adequate staffing, they may not be able to deliver a quality customer experience.

- That's why **Walmart**, the largest private-sector employer in the US, **is increasing its starting wage 17%** to \$14 per hour from \$12 next month, per a company blog post.
- It is also investing in higher wages for its current employees; **its hourly average will rise to \$17.50**, up 2.9% from last summer, and 6.7% more than in September 2021, per Bloomberg.

Merchants that fail to boost wages can face significant challenges.

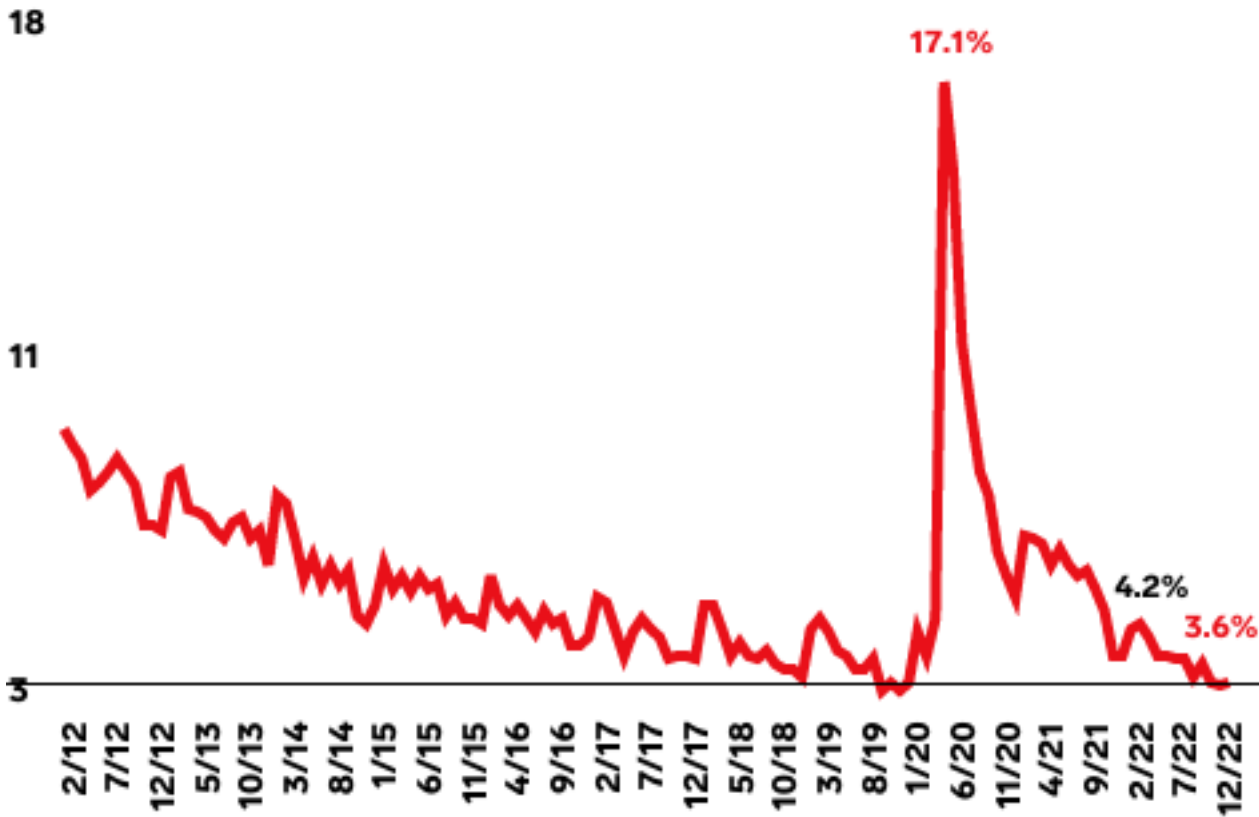
- For example, **hundreds of UK Amazon workers on Wednesday staged their first-ever strike**. The retail giant failed to “give workers a proper pay rise,” said **Stuart Richards**, senior organizer of the GMB Union, in a statement. Amazon in December had offered workers a 50 pence-per-hour increase in pay.

**Workers have leverage:** While the labor movement is losing momentum, workers continue to have significant leverage over employers given that **the unemployment rates in the US, UK, and continental Europe are near all-time lows**.

- The US unemployment rate is 3.5%, and 3.6% among retail and wholesale workers, per the US Labor Department.
- The UK unemployment rate is 3.7%, per the UK's Office for National Statistics.
- The EU unemployment rate is 6.0%, per Eurostat.

## Retail and Wholesale Unemployment Rate

US, 2012-2022



Source: US Bureau of Labor Statistics

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**Retailers respond:** The tight labor market has driven several retailers to make worker-centric changes.

- In addition to Walmart, several other companies, including Amazon and **Starbucks**, have increased wages, added benefits, and improved working conditions to attempt to counter workers' unionization efforts.
- Meanwhile, others are adjusting the way they operate. For example, **Home Depot recently began paying employees to the nearest minute when they clock in and out** rather than rounding workers' total shift to the nearest 15 minutes.

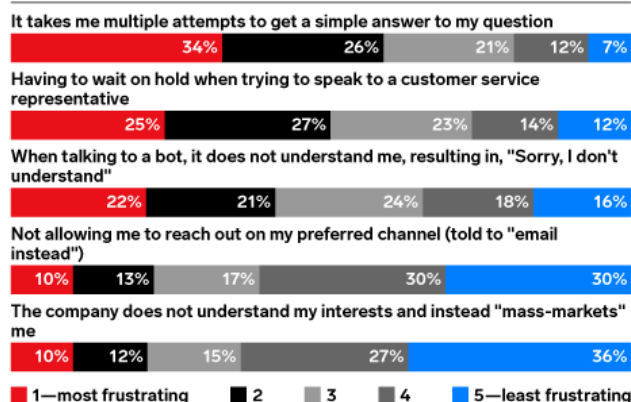
- **Walmart also recently rolled out new job opportunities** via initiatives such as its Associate-to-Driver Program that pays supply chain and store associates to earn their commercial driver's license and become a Walmart truck driver earning up to \$110,000 in their first year.

**The big takeaway:** Consumers aren't willing to put up with a subpar customer experience.

- Ensuring that stores and distribution centers are adequately staffed with well-trained workers is one simple step retailers can take to keep shoppers satisfied.
- While boosting wages isn't cheap, retailers need to view the increased costs as an investment that can help reduce their churn rates.

#### Aspects of Poor Customer Experience According to US Adults, Feb 2022

% of respondents



Note: ages 18-75; numbers may not add up to 100% due to rounding

Source: Verint, "The 2022 State of Digital Customer Experience," June 15, 2022

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