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# Crisis or opportunity? How grocers can win the talent war

Grocery retailers can't find the people they want for the jobs they need. In a competitive labor market, evolving the talent model can provide an advantage.

*by Rahul Mathew, Beatriz Rastrollo, Patrick Simon, and Raphaël Speich*

**Anyone searching for the front line** in the war for talent should consider the grocery sector. Grocery retailers employ more than 8.5 million people in the United States and European Union,<sup>1</sup> yet they face two critical problems: high demand for new skills and roles that are difficult to cover amid a shortage of available talent, and high attrition rates for existing employees. It's a labor spiral that presents a huge challenge but also an enormous opportunity to create value—if grocers evolve their talent models to the new reality.

Some of the factors behind the tight labor market are well documented: pressure for wage increases amid inflation; talent shortages; increased competition; the rise of absenteeism and attrition in the wake of COVID-19; and the need for more flexible labor scheduling. Yet the grocery sector also faces longer-term challenges on three fronts:

- ***Its value model is shifting.*** The way value is created in grocery retail is being transformed by analytics, the rise of digital (notably e-commerce and new propositions such as instant delivery), demand for sustainability (requiring higher collaboration with suppliers and skills related to new products),

partnerships and ecosystem collaboration, and other dynamics. It's forcing employees to learn new skills as roles evolve and pushing companies to adapt their operating model.

- ***Automation opportunity is high compared with other industries.*** Research suggests one third of grocery retail tasks could be automated over the next eight years.<sup>2</sup> Yet very few jobs can be fully automated, meaning the challenge is not about eliminating jobs but about determining how much they will change—and how workers can change with them. As some tasks become increasingly automated, workers will need to adapt, taking on additional—often more rewarding—tasks, such as increased interaction with customers, while acquiring new skill sets.
- ***Cost pressures are increasing.*** A need for greater efficiency and productivity is being driven by lower market growth, inflation, pressure to increase wages, the rise of competition, and (even higher) attrition rates.

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<sup>1</sup> "Annual detailed enterprise statistics for trade (NACE Rev. 2 G)," Eurostat Data Browser, European Union, February 28, 2022; "Supermarkets & Grocery Stores in the US - Employment Statistics 2002–2027," IBISWorld, updated December 29, 2021.

<sup>2</sup> Patrick Simon, Caroline Tufft, and Pierpaolo Zampella, "Closing the skills gap in retail with people analytics," McKinsey, August 28, 2020.

The pandemic has dramatically accelerated these trends, leaving grocery retailers with little choice but to transform their people model. The upside? The sector can not only address these challenges but also drive sustainable competitive advantage with talent.

## How the grocery workforce is changing

These trends have upended the grocery retail industry. Companies are being forced to reimagine and redesign grocery roles as physical and manual tasks have declined in importance and the need for technological and social skills, adaptability, and the ability to master various tasks continues to rise (Exhibit 1).

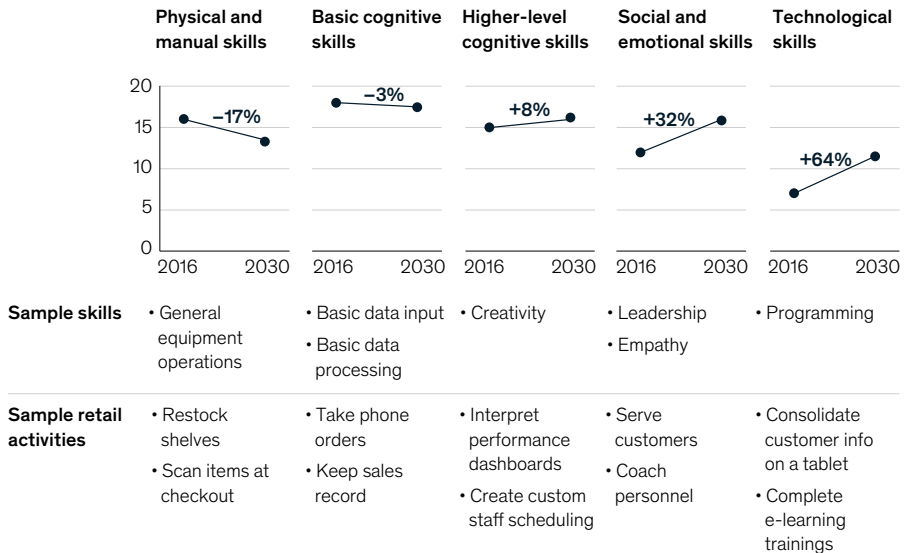
These skills are central to how grocery workers' responsibilities are changing, and how companies equip and empower employees will determine their success in attracting and retaining talent:

- **New and changing roles.** Entirely new roles are being created as the grocery sector evolves, expands into adjacent business areas, and introduces technology and automation. About 280,000 jobs were created in retail trade in the United States between February 2020 and March of this year. For example, the acceleration of online sales and instant delivery brings with it a need for in-store logisticians and last-mile delivery

Exhibit 1

## Social and technological skills are becoming more important in retail.

Retail hours worked by activity, US and Western Europe,<sup>1</sup> billions



<sup>1</sup> Western Europe includes Austria, Belgium, Denmark, Finland, France, Greece, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and United Kingdom.  
Source: McKinsey Global Institute

workers. At the same time, some roles are growing or evolving, requiring different skills from those required in the past. In the areas of commercial, digital, and logistics, there's an increased demand for more advanced technical and analytics skills in certain roles, such as pricing, digital marketing, and planning. Cashiers, long believed to be a talent pool with declining demand due to increased adoption of self-checkout, are required to have more social-emotional skills to bring a human touch to customer service and be more tech savvy to take on new tasks like online order fulfillment. In addition, physical work will still be very relevant.

- **Workforce retention.** Attrition in grocery retail globally jumped to about 60 percent in 2020 from 40 percent the previous year, according to the Food Industry Association—despite an increase in average wages and benefits for full-time employees. While the industry has spent upwards of \$15 billion to keep workers, it's clear that transactional pay is not sufficient: workers are looking for deeper relational elements and are placing significant emphasis on feeling valued by managers and organizations, schedule flexibility, and greater potential for career advancement.
- **A war for attracting talent.** All industries are seeking new roles and skills, sparking a tight labor market that is challenging for grocery retailers already battling margin pressure. The sector has responded with significant salary increases—

Lidl, for example, announced it was allocating more than €20 million for pay raises in the United Kingdom as part of its investment strategy on talent attraction and retention, while Mercadona announced a 5 percent salary increase for its workforce. In the United States, some 300,000 employees left wholesale trade industries between February and September last year. While this presents a challenge for grocery retailers, it also validates the experience and training of the sector's people. Other sectors often value the skills of grocery workers, including customer service, people management, and social-emotional intelligence.

#### **What grocery retailers can do**

Against this backdrop of short- and long-term challenges spanning the industry, it's no wonder that about 40 percent of grocery CEOs today identify people as a priority topic, compared with around 25 percent last year. We said earlier that grocery retailers have no choice but to transform their approach to talent, and we've identified six strategic moves they can take to navigate the transition to a new people model:

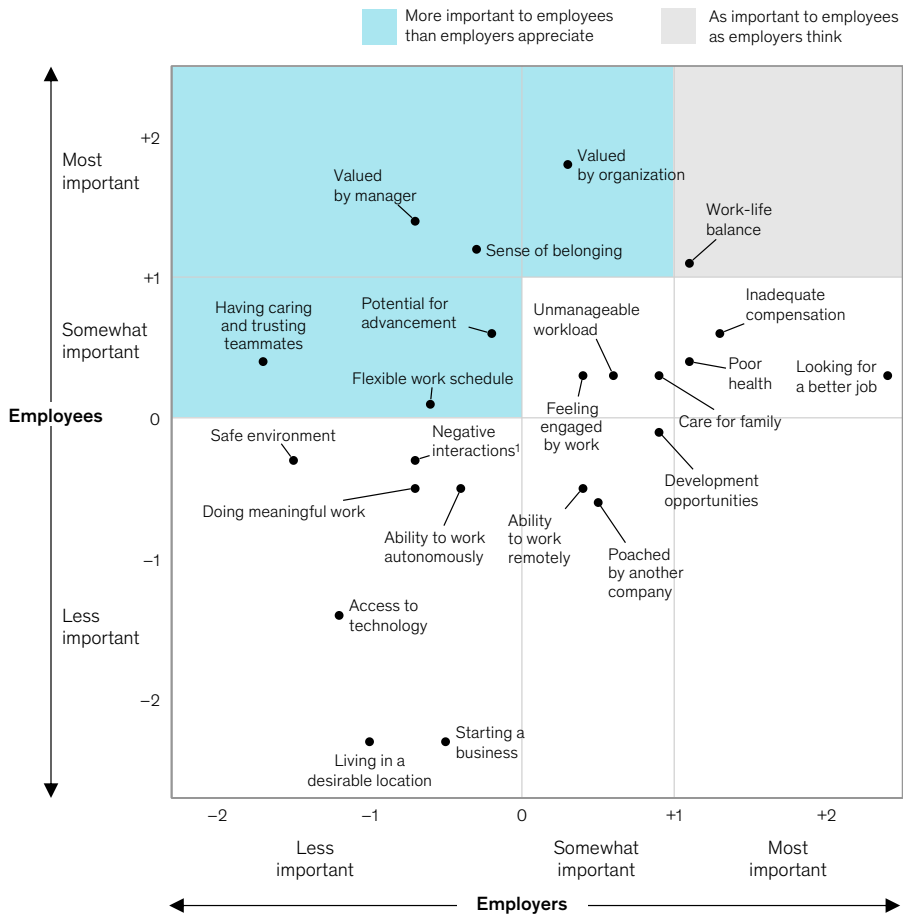
- **Reduce short-term attrition by addressing the employee experience.** There's a disconnect between the factors employees regard as important and those employers think are important (Exhibit 2). If the past 18 months have taught us anything, it's that employees are craving investment in the human aspects of work. Better pay, benefits, and perks have become table

Exhibit 2

## Employers do not fully understand why employees are leaving.

### Factors important to employees versus what employers think is important

Employers seem to overlook relational elements that are key factors in why employees are leaving, such as lack of belonging or feeling valued at work



Note: Standardized scores are reported for both employee and employer perspectives. Employees were asked to respond to the following question: "To what extent did the following factors impact your decision to leave your last job?" (Possible responses: "not at all," "slightly," "moderately," "very much," "extremely.") Employers were asked to respond to the following question: "Why do you think employees are choosing to leave your organization now? (Select all that apply.)"

<sup>1</sup> Includes interactions with clients, customers, patients, and students.

Source: "Great Attrition" or "Great Attraction"? The choice is yours," McKinsey, September 2021

stakes. What employees are really seeking is to feel valued by their organizations and to have social and interpersonal connections with colleagues and managers. To achieve this, onboarding and ongoing motivation for in-store personnel are critical. Leaders should take note: you can't fix what you don't understand, and truly investing in the relational elements that ensure employees feel valued and belong at work is the key to arresting the slide.

- ***Anticipate future talent demand and invest accordingly.*** The nature of all grocery roles is shifting, due not only to elements within the control of companies—such as the degree of automation—but also to changes largely beyond their control, such as consumer behavior. For example, few grocers would have anticipated such rapid growth in e-commerce channels, and most are still trying to understand how to attract and retain talent with this experience. It's critical to invest early in quantifying and planning for talent needs over a three- to five-year time horizon because it's easier to be proactive and adjust if needed than to be reactive and always play catch-up. For example, one of the largest retailers in the United States anticipated growing demand from customers for COVID-19 healthcare needs. Instead of focusing on growing its on-premises services—which would have been difficult because of high demand for healthcare workers during the peak of the pandemic—the retailer experimented with virtual-provider

visits and accelerated the hiring of remote healthcare professionals in work-from-home roles.

- ***Differentiate your investments in attracting and retaining core digital talent.*** Grocers able to attract and retain digital talent such as data engineers, data scientists, and full-stack developers have realized that the needs and expectations of digital talent are unique and specific. Organizations that win in this space focus on anticipating digital talent needs, linking compensation and benefits to the value that digital roles bring to the organization, developing communities of practice with effective technology talent functions, and investing in digital-specific career paths to highlight growth opportunities.

For example, one retailer in the United States created a differentiated employee value proposition for digital roles. The digital-employee value proposition was focused on three pillars: a renewed company culture (“a great company” that fosters agile ways of working and develops digital communities), digital-specific learning and career development (“great opportunities” built on the foundations of an exciting and future-oriented technology stack), and tailored incentives (“great benefits,” including nonfinancial benefits such as participating in external digital events and forums and flexible location rules).

- **Reskilling and upskilling as a key value creation lever.** There are different levers to manage the transition to the future workforce, including talent acquisition, redeployment, and partnerships. Organizations today are increasingly investing in upskilling and reskilling talent, given that it can be about 20 to 30 percent more cost-effective in the long term compared with layoffs and hiring (and also strengthens employee engagement and overall productivity). For example, one Southern European grocery retailer conducted a strategic workforce transition effort to ensure availability of resources and skills to deliver on its business priorities. It created an at-scale reskilling program (around 50 percent of its total workforce required upskilling, rising to around 60 percent in functions such as commercial or in-store), complementing it with a talent acquisition initiative for key areas such as logistics. Successful reskilling and upskilling programs include the following:

1. a well-defined long-term strategic workforce plan anchored on the business strategy that outlines the demand for existing and new roles and skills
2. investment in redesigning the roles for the future, in understanding how automation and other trends will affect each position's key activities, and in aiming to reduce time spent on non-value-added tasks

3. focused capability building for talent in low-demand, high-supply roles to transition employees to high-demand, low-supply roles
4. mechanisms to deploy talent and support the professional development of talent over the long term
5. partnerships with external skilling organizations to significantly accelerate these efforts and provide more scale and cost efficiencies

For example, Walmart invested \$4 billion in a reskilling program over four years, with frontline hires required to start with a certificate program in basic retail and emotional skills. In addition, tenured employees can take part in Walmart Academy and the “dollar per day” which allows associates to earn college degrees in retail management. There has also been a shift in the past few years from hourly wage roles to more full-time roles in Walmart’s retail stores, improving work-life balance for associates, building more team-based ways of working in stores, and providing opportunities for better mentorship. These moves are intended to signal to the labor market that Walmart cares about growing and developing its workforce, making it a “career building destination.”



- ***'Acqui-hiring' to accelerate the time to impact.*** Partnering with or acquiring companies with key capabilities is one of the fastest ways to accelerate talent acquisition at scale, although it has certain risks that need to be managed, including cultural integration. Building on the success of Walmart's acquisition of Jet.com in 2016, which helped accelerate Walmart's 25 percent share of US online grocery sales, retailers have made a number of other acqui-hiring investments in the United States to expand their omnichannel competitiveness.
- ***Make people a strategic priority for the C-suite.*** When talent management becomes a strategic priority that affects value creation and the long-term sustainability of business models, it's no longer just an HR responsibility. It should be a priority for the C-suite, with input from leadership at the very top.

Companies have increasingly focused on people since the outset of the pandemic, and grocery retailers are no exception. Yet, as an essential industry, the sector is under particular scrutiny. Transforming the people model is challenging but necessary—and getting it right can deliver sustainable competitive advantage.

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The authors wish to thank Ricardo Ferreira and Bassel Berjaoui for their contributions to this article.

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