

# Potential Impact to Customer Service in Retail Stores from a Minimum Wage Increase

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Due to the potential minimum wage increase, Leischen Marketing Research was interested in understanding the impact on retail stores regarding customer service. An online study was conducted among retail shoppers.

If the minimum wage were to increase, close to 6 in 10 shoppers expect there to be an impact to the retail store. And within the retail experience shoppers expect to be impacted, there were 3 impacts to the overall shopping experience that were mentioned most often.

Prepared by:





# 1

## **An increase in price was the most often mentioned impact.**

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Furthermore, the expected price increase was consistent across the different age groups as nearly 75% of those (25-44; 45-64 and 65+) expect price to increase. But this is not surprising as price is typically the first response.

However, there is a threshold that customers are willing to pay. Overall, if prices were to increase, 57% said they would shop at that retailer less than they did before.

Digging a little further, if prices were to increase by 10%, shoppers would be somewhat likely to still shop at that retail store. But if and only if, they still received good customer service.

But if prices were to increase and customer service suffered, shoppers would be more likely to 1) find another retailer to shop at, or 2) simply shop online.



# 2

## Fewer employees expected to help customers.

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The second area expected to be impacted by a minimum wage increase is that there would be fewer employees to help customers.

So, while there may be fewer employees to help customers, those that are there need to be knowledgeable and friendly. When shoppers were asked what had the most influence over shopping at a specific retailer, friendly/knowledgeable employees was mentioned after price.

Furthermore, when it comes to the impact of customer service on store satisfaction, shoppers stated that friendly/knowledgeable employees, followed by enough employees, had the most impact. On the other hand, being greeted when you walk into the store had the least impact on overall store satisfaction.

Therefore, being realistic about additional payroll cost, retailers may look to cut labor hours. And if so, eliminating the greeter would have the least negative impact. There are two-thirds who said they might shop less often if there were fewer employees in the store.

However, from an age perspective, younger shoppers (25-44) are least likely to expect fewer employees in the store due to a minimum wage increase. That said, this group is all about the experience. So, an easy to shop layout including being mobile-friendly will go a long way to keep this shopper.



# 3

## An increased amount of time to checkout.

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The third area expected to be impacted, cited by more than 4 in 10 shoppers, is an increase in the time to checkout, which aligns to fewer employees in the store.

But even though it is an area expected to be impacted, a quick checkout was less important to shoppers compared to prices, employees and in-stock. Furthermore, a quick checkout had less influence over whether shoppers would shop there again.

However, of those who expect the checkout to take longer, 64% stated they might shop less if that were the case, along with an increase in prices.



# 4

## Additional opportunities for customer engagement.

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One more note on the impact of a potential minimum wage increase.

Loyalty/reward programs were not considered important or to have much influence over shopping at a retailer. Not surprising as so many retailers have some sort of program.

However, as more and more shoppers are looking for a good value, especially Millennials, there is an opportunity to engage the shopper through a loyalty program and enhance the experience. Rewarding the shopper for “checking in”, posting on social media, reviewing products and looking for coupons can enhance the overall shopping experience.

While further research on this topic is needed, this insight provides retailers with food for thought as they plan for the future.



## About Leischen Marketing Research.

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Leischen Marketing Research was founded by Kathleen Leischen in 2004 and have more than 25 years of experience, working across a variety of industries. We are a privately-owned company, offering a full suite of marketing research services.

We work with a team of research experts which allows us to meet all our clients' needs but also be flexible and affordable.

With extensive experience in marketing research, the company values providing clients with insight, answering the question..."so what does this mean?".

We really shine at taking the raw numbers and turning them into insight that means something. Too often research reports provide "nice-to-know" information that clients can't do anything with other than put the report on the shelf to collect dust. In this competitive environment, businesses need insight they can use to grow.

We design the research so that the insight collected can be used to make decisions, not sit on a shelf and collect dust. To learn more about our company or our services, please visit us at [www.LeischenResearch.com](http://www.LeischenResearch.com).