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Is trouble brewing for Apple among its retail workforce?

Stiffer competition and a loss of lustre are contributing to employment issues closer to home.

by [Meggin Thwing Eastman](#) | September 9th, 2013

While the market appears to be focused on the erosion of profit margins at Apple as the smartphone and tablet market matures, and labor rights advocates have been focused on working conditions in its supply chain, we see emerging concerns for both groups in the company's rapidly growing retail workforce. As core Apple products start to lose some of their prestige in the face of stiff – and often less expensive – competition from Samsung and other device makers, we anticipate increasing disaffection among the retail workforce. Less enthusiastic retail salespeople and higher turnover could represent an additional point of financial pressure.

According to the New York Times, Apple stores have had by far the highest sales per employee among retailers in the US. With US\$18.8bn in retail sales in FY2012, the company's 42,400 retail employees brought in an average of USD 444,056 each based on our calculations; this is more than twice the USD 206,000 in sales per employees for electronics and appliances retailers in 2011, as reported by the New York Times (June 23, 2012). It appears that the company has been able to rely on its cultural cachet to staff stores with well qualified, enthusiastic salespeople despite unexceptional compensation of roughly USD 25,000 annually (excluding benefits).

However, its ability to continue doing so over the medium to long term could be compromised by the increasing commoditization of smartphones and tablets, among other things. If the ubiquity of high quality devices from competitors starts to put a dent in Apple's 'cool' factor, workers may focus more on wages, benefits, company culture and less on the intangible satisfaction of getting to work for Apple. While Apple is smart to offer perks like health benefits for part timers, product discounts, and discounts on company stock for retail employees, rumblings of discontent over the last few years, as reported in the media, suggest growing dissatisfaction with scheduling and pay.

Apple's widely reported culture of secrecy and required loyalty also appears to extend to its retail operations, where employees caught criticizing the company online or revealing information about internal policies may fear for their jobs. Combined with a reported increase in the pace of work with the rising popularity of the iPad and iPhone over the last few years, these factors could begin to spell trouble for the company. Recent evidence of Apple Store employee disenchantment includes a class action lawsuit filed in July of this year by former Apple employees in California and widely reported in the media (e.g. CNET, July 29, 2013).

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The suit alleges that the company failed to pay workers for the thirty minutes each shift during which they wait to be searched by managers for potentially stolen merchandise.

While this type of litigation is not uncommon among major US retailers employing lower wage labor, to date these hours and wages disputes have been far more typically associated with a company like Wal-Mart than with Apple. In addition to legal costs, possible settlements, and impact on the morale of current employees, cases like this may take a toll on Apple's ability to recruit the best salespeople. Simultaneously, if Apple is forced to compete more on price, its retail workers are likely to feel the pinch in the form of pressure to sell more products faster, which could degrade their day to day work experience and likewise turn attention to the more tangible rewards or lack thereof.

An improving job market over time, particularly among the young worker demographic on which Apple Stores rely, would also likely lead the highest qualified employees to look elsewhere for better pay or advancement prospects and could make it harder for Apple to hire the higher caliber employees it has been able to get to date.

To maintain the same level of service and sales, Apple might well need to raise wages, which would take a bite out of its revenues and net income:

- In 2012, following media publicity about its retail workforce and pay scale, Apple raised some retail employees' wages by about 25%. A similar increase across the board would bring wage costs to an estimated \$1.4bn (7.4% of retail revenues and 0.9% of total revenues) and would reduce retail operating income by about 6.4%.
- Workers at wireless telecom companies that sell Apple devices (such as Verizon Wireless or AT&T) work on commission and reportedly earn USD 50,000-60,000 per year. If Apple were to match this, its wage costs would be about \$2.2bn and retail operating income would be reduced by about 23%.

The alternative to wage increases could be a reduction in sales per employee. In a scenario of lower iPhone prices combined with less motivated employees, Apple's past phenomenal retail results could take a significant hit.

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