

A Question of Balance

WORKFORCE EFFICIENCY DRIVES OPERATIONAL EXCELLENCE

BY ROB GARF

As retailers face rising pressures they frequently review their labor strategies and technologies. But it's not just about cost cutting. It is really about balance and alignment. You want to look at overall efficiency to drive operational excellence throughout the extended enterprise.

There are two key points to consider here: The first is the pressures that store operations face on a daily basis and how that impacts the consumer, and the second is a best-practice approach to what successful retailers are doing to improve workforce efficiency.

Achieving optimal store operations is an act of balancing multiple criteria. Naturally the consumer experience is a big part of it. Retailers spend somewhere around \$250 billion per year driving consumers to their stores. With this kind of investment, we really need an empowered workforce to fulfill those expectations.

At the same time we need to think about hitting our margins. Any tweaks we can make to save costs and overall efficiency goes to the bottom line, but we need to maintain productivity while also satisfy employees.

And, of course, we want to try to reduce the frequently cited 100 percent turnover rate. It not only has a negative impact on store execution, it actually costs the business a lot of money in training and other human resources costs.

STORE OPS AND EXECUTION

When we think about store operations we can't ignore the real gap that exists between home-office merchandising, promotion and planning, and in-store assortment and merchandising. When you think about the original concepts and plans that take place 12 to 18 months prior, you ultimately see it executed in the store in front of the consumer, and you often realize that workflow has been broken and there needs to be a more streamlined way to execute interrelated processes.



Savvy retailers view their workforce as a key element to their value proposition and operational success.

WORKFORCE MATURITY MODEL

Ten years ago, retailers were looking to add technologies to help them with labor scheduling, labor forecasts, and Web-based communications. A couple of years later, the goal was to use an automated workforce management system, which streamlined communications throughout the enterprise.

Fast forward a couple of years, and we bring together workforce management that not only cuts costs, but schedules the right people in the right places doing the right activities. We can actually gauge performance through regular reports (sometimes in real time) versus looking in a rearview mirror. Our data finds that 48 percent of retailers are actively pursuing this strategy over the next twenty-four months.

The last phase I want to talk about is all about optimizing the home office to store communi-

I know of a grocer that has improved morale by 20 percent and reduced turnover. I know of a mall-based specialty retailer that has reduced overtime and improved scheduling flexibility by using a Web-based application. I know of another specialty retailer that has reduced the amount of time it takes to hire and train new employees, which is a huge benefit when you think about holiday seasons.

MEETING CHALLENGES

I've covered many strategic ways to view a well-balanced workforce management plan in the retail enterprise. Let's focus on some specific tactics:

- Retailers need to address visibility. They want demand information readily available when and where they need it. If they can identify a problem at the store level, they can make immediate staff adjustments and control consistency throughout the enterprise.

- Using a PDA or handheld device places information right at your fingertips. Managers can see when costs are down or when turnover is flat. This information gives retailers immediate guidance before it is too late to correct a problem.

- Dashboards should be used in the store and at the corporate level. By drilling down into the information any issues that come up can be isolated and resolved. Summaries can be generated by the hour with a focus on labor as a percent of sales.

With a well-balanced workforce using on-demand information retailers can improve results and ensure consistent store execution.

Rob Garf is the former vice president and general manager of retail strategies at AMR Research. He has more than 15 years of experience with leading retail organizations and advises line of business and technology executives regarding store and cross-channel operations. RIS

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AMR conducted a survey this year about store operations stability and found that 59 percent of merchandising plans are actually executed correctly. There are stress points of execution and they don't just start at the store. They start well before execution begins.

The survey polled about 1,500 consumers to find out what can drive them away from a store with a bad shopping experience. Rudeness of staff was highest on the list, often because they were too busy or didn't have the knowledge the consumer needed. We need to look at the workforce as a key element of our value proposition and success.

cations. One convenience store retailer I know of has 170 deliveries to stores in a given week, mostly from third parties. How can you optimize labor for that kind of activity in a well defined manner? Ultimately you want a system that accommodates joint value operations that encompasses supplier and partner ecosystems.

As we look at this maturity model we can see there are benefits in moving up the steps. One power retailer who has moved up has achieved significant gains in sales conversion adding real money to the bottom line. They are getting the right people who are empowered in the right place at the right time to service the customer.