RETAIL IQ

WORKFORCE ANALYTICS CAN HELP SMB RETAILERS SIGNIFICANTLY BOLSTER THE BOTTOM LINE

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MATURITY LADDER

Workforce Analytics

The *RIS News* Retail IQ Report Maturity Ladder is a diagnostic measurement tool for a retailer's state of technology advancement in a specific category. There are four key phases: **1. Basic** – minimal capabilities, **2. Intermediate** – mostly basic with some advanced capabilities, **3. Advanced** – mostly advanced capabilities with some limitations, and **4. State-of-the-Art** – comprehensive capabilities are fully integrated and up to date. Note that it is possible to be on more than one step of the ladder simultaneously as specific technology components and processes are upgraded in phases.

04

STATE-OF-THE-ART

- Each member of the management team receives a personalized dashboard containing relevant workforce information.
- Employee turnover is reduced and satisfaction rises as management decisions are databased and more clearly articulated.
- Metrics, alerts, and guidance are available to managers to aid in thoughtful decision making about how to best utilize staff.
- Customers are greater connected with the path to purchase as stores are properly staffed with knowledgeable employees who are engaged in their work.

03

ADVANCED

- Retailers employ workforce analytics systems, which uses data to suggest which employees should be working when.
- The analytics solution informs retailers when employees need training in order to meet expected sales.
- A work schedule is made in advance based on past activity, which is communicated with employees, leaving them confident in the decisions made by management.
- Labor costs are aligned to sales volume, improving sales effectiveness while utilizing labor in its most efficient manner.

02

INTERMEDIATE

- Retailers use a time clock to track employee hours.
- Able to review basic information about employees including punctuality and sick/vacation days.
- Retailers consider optimal times and employees for introduction of new products and services.
- Employees know their schedule in advance and are aware of expectations.

01

BASIC

- Management and HR make workforce decisions based on instinct.
- Company data is not maintained and employee performance is not tracked.
- Employees are not placed in the best position to succeed and do not receive the proper training.

Analytics has been a key tool for retailers for decades — but only recently did it become a critical capability throughout the enterprise with unlimited use cases. For example, retailers leverage analytics when making merchandising decisions, devising marketing plans, optimizing their supply chains, engaging with shoppers and more — it has become a prominent part of every decision making process throughout the enterprise.

In addition, leading retailers are using high-powered analytics to inform their workforce decisions. Workforce analytics can help brick-and-mortar retailers make the proper staffing decisions, so that consumers get the personalized service they demand in today's customer-centric market.

Workforce analytics can help retailers of all sizes from the giants to small- and medium-size business make a host of decisions. Analytics can enable a small- or medium-sized retailer, no matter the vertical, to make crucial workforce decisions based on data-fueled insight and not simply rely on gut decisions when it comes to staffing. It can not only ensure the retailer has the right number of employees but the right mix as well. Greater efficiency in staffing allows brick-and-mortar retailers to hold down costs, particularly crucial as they are under fire from the digital goliaths.

6 out of 10 Retailers are either "moderately" or "not" satisfied with their current labor hour models.

Source: EKN Research, "The Case for Improved In-Store Labor Standards"

Workforce analytics provides assistance for staffing and other decisions, freeing entrepreneurs and managerial staff up to focus on other aspects of their business. To streamline employee management and allow business leaders more freedom to focus on business critical aspects of the organization retailers are increasingly investing in workforce analytic capabilities. In fact, 57% of retailers plan to implement workforce analytics in the next two years, according to EKN Research's "The Changing Role of the Store: Is Your Workforce Ready?" report.

The benefits and insights of workforce analytics are many and affect employees and management alike.

BEST OF TWO SYSTEMS

In the current labor market the costs to employ labor is poised to continue to rise. "The tight labor market has been a persistent problem for small business owners for the past several months, and the problem appears to be getting worse," said Bill Dunkleberg, chief economist, NFIB, in "Small Business Optimism Continue Remarkable Surge." In addition, the labor being employed is not being deployed effectively. Six out of ten retailers either are "moderately" or "not" satisfied with their current labor hour models, according to EKN Research's "The Case for Improved In-Store Labor Standards."

$200 to $800

Average yearly cost per hourly employee retailers can save by eliminating payroll overspending.

Source: Deloitte, "LaborWise"

This scenario makes employing the right mix of labor particularly important, especially for small- and medium-sized retail businesses. Workforce analytics can help retailers devise the right labor mix and keep its workforce optimized and satisfied.

The great debate in regards to scheduling labor often comes down to sales per labor hour (SPLH) verses labor as a percentage of sales. When employing SPLH, the focus is on efficiency and determining how effective labor is at generating sales. This metric helps identify and reward those employees or teams which are doing well and recognize those who may need more training. However, there are a number of variables that are not considered as part of the calculation, including activities which labor is employed but is not directly related to sales (facility maintenance, for example).

Labor as a percentage of sales helps guide those who make scheduling decisions. After all, a business can only afford to spend so much on labor. The business leaders determine the costs they can allocate to labor and that number becomes the target. However, this formula does not take into account if labor is being employed efficiently and at the optimal times.

Workforce analytics systems can combine the best of both SPLH and labor as a percentage of sales. It can help align costs to sales volume and improve sales effectiveness while utilizing labor in the most efficient manner. The solution can recognize trends in the workforce data and recommend solutions to best utilize available associates. The average business overspends in the area of payroll, resulting in excess labor costs equivalent to 0.5% to 2.0% of hourly payroll every year, according to Deloitte's "LaborWise" report. The report states, "if resolved, the average savings could be $200 to $800 per hourly employee annually."

79% Retailers believe the primary business function of stores currently is traditional sales. That number is expected to drop to **35%** in 2-3 years.

Source: EKN Research, "The Changing Role of the Store: Is Your Workforce Ready?"

Hannaford Supermarkets which is comprised of over 180 grocery stores within five states traditionally scheduled its workforce on paper. The process was time consuming, inefficient in ensuring the right employee was scheduled for the right shift, and difficult to control labor costs. Hannaford began using a workforce analytics system to enable managers to optimize scheduling of employees with access to traffic data and provide an easy-to-use interface for managers to feel comfortable creating schedules. "It improved the execution of our standard practice for scheduling," said Christy Elgee, senior business process engineer, Hannaford. "And users enjoy the functionality and additional metrics that they didn't have previously."

CHANGING DEMANDS OF THE WORKFORCE

The rise of digital commerce has completely revolutionized the industry and it continues to impact brick-and-mortar retailers. In order to compete and stay

JENNIFER JOHNSON

Head of Retail & Hospitality Practice Group, Kronos Incorporated

GETTING THE MOST FROM YOUR WORKFORCE

Q What role can workforce analytics play in helping brick-and-mortar stores compete in the digital age?

JENNIFER JOHNSON: Staffing a store is becoming more complicated as the omnichannel demands of online retail become a larger component of a bricks-and-mortar strategy. It's no longer replenishing and cashiering that stores are expected to support. Customers now expect to be able to pick up and return purchases at a store independent of how they were originally purchased. Analytics can provide the insights between expected demand and actual demand to allow store managers to staff employees when there is work, as well as when employees want to work.

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Q Can workforce analytics be beneficial to retailers of any size?

JOHNSON: Data-driven decisions are important to any store regardless of size. When associates make decisions based on their own experience or fixed corporate policy it will be challenging to compete with a retailer that is using data-driven analytics.

Q How can sophisticated workforce analytics help lessen retail's high associate turnover rate and increase retention?

JOHNSON: Machine learning algorithms can now make accurate predictions of turnover based on company related factors. It can help managers identify and act on situations where employees might be inclined to leave due to work related issues.

Q What role does workforce analytics play in regards to HR?

JOHNSON: Workforce analytics captures the execution side of the business. It describes and predicts what is occurring on a daily basis in stores. For human resources, understanding this allows them to design jobs more effectively, recruit employees that will be more successful in their jobs and provide coaching to those with performance challenges or at risk of leaving.

Q Is workforce analytics one-size-fits-all when it comes to retail segments?

JOHNSON: Every retailer has a slightly different approach to how they staff their stores based on operations, store locations, product array, and the data they collect. By understanding these factors, a workforce analytics system can be tailored to fit specific needs.

Q Many people feel overwhelmed by the speed of technological growth and change. How can you make workforce analytics easily digestible so even those who may feel overwhelmed by technology can benefit from it?

JOHNSON: Workforce Analytics should be designed so that it is role based. A store manager and corporate analyst should not be looking at the same dashboards. Additionally, information should be offered on an exception basis. Sending report after report that requires no action will negate the benefits of an analytics system.

Q What capabilities will the next phase of workforce analytics include?

JOHNSON: Analytics will continue to be embedded in the automated workflows today. Rather than a separate dashboard, analytics will increasingly run in the background. It will only expose itself when action needs to be taken, and it will make a recommendation of what to do next.

relevant retailers must embrace constant change. Retail employees are on the front lines and greatly affected by changing shopper sentiments and they must be equipped with the tools to meet continuously evolving demand.

Seventy-nine percent of retailers say the primary business function of stores is traditional sales, according to EKN Research's "The Changing Role of the Store: Is Your Workforce Ready?" report. However, the number falls to just 35% when considering stores' primary function in two to three years. Traditional sales are defined as a customer coming into a store, finding a product, making a selection and checking out in-store. There is a similar precipitous drop in the retail store's primary function as a customer service center — it is predicted to fall from 73% to 42% during the same period.

> [WORKFORCE ANALYTICS HAS] IMPROVED THE EXECUTION OF OUR STANDARD PRACTICE FOR SCHEDULING. **AND USERS ENJOY THE FUNCTIONALITY AND ADDITIONAL METRICS THAT THEY DIDN'T HAVE PREVIOUSLY.**
>
> — Christy Elgee, Senior Business Process Engineer, Hannaford

When a work setting undergoes significant change, employees feel pressure, anxiety, and uncertainty. Combine this environment with the traditional high turnover rate of retail employees, and management is facing huge scheduling/HR challenges.

Thirty-eight percent of retailers endured an increase in employee turnover in 2016, according to "Retail Employee Turnover Up as Black Friday and Holiday Shopping Season Nears," a report from the Hay Group, a division of Korn Ferry. The turnover is highest, 65%, amongst hourly store employees, which represents an 8% increase over 2015. Many assume that the reason for high turnover of retail employees is related to money, and it is often cited as a factor. However, the number one reason given by those who moved on was "better opportunities/ promotions." Plenty of retail workers jump from one retail outlet to another in an effort to climb the ladder of success, presenting both challenges and opportunities for retailers. If a retailer is able to build an environment that successfully retains talent they can not only save the costly recruitment expense, but simultaneously build an experienced, engaging workforce.

Research conducted by *Fortune* and Great Place to Work found that a superior workplace culture can minimize retail employee turnover. In addition, ongoing professional development has a major impact on employee attitudes, according to *Fortune*'s "Why the Best Retailers Don't Have to Worry About Turnover." This is particularly true of part-time retail employees who traditionally have the highest turnover rate. The role of managers, according to the research is significant as those who follow through on promises and consider employee needs help to make their retail outlets great places to work.

38% Retailers that endured an increase in employee turnover in 2016.

Source: Hay Group, "Retail Employee Turnover Up as Black Friday and Holiday Shopping Season Nears"

Workforce analytics can play a major role in employee satisfaction. Managers can review analytics and recognize which employees need more training — arming them with the skills they need to be more successful and find fulfillment in their work. Training and development can also lead to salary increases as more knowledgeable employees will be better sales people and have the opportunity to advance within the organization. As retail workplaces change, training employees will be a necessity so associates can more effectively perform their jobs, leading to increased satisfaction. In addition, workforce analytics can provide managers the information they need to proactively align labor to demand and put the right people in the right place at the right time.

Macy's has been able to reduce employee turnover and build meaningful employee engagement through the implementation of cutting-edge software solutions. Mike Zorn, senior VP, associate and labor relations, said the company was able to do this by instituting an open set of expectations for every Macy's employee, helping weed out those employees who were disengaged. Macy's then employed a workforce engagement solution designed to empower employees. The self-service scheduling application allows associates to pick their own shifts, trade shifts, and request time off independently. This has empowered associates and increased their engagement while simultaneously freeing managers up to cultivate a customer-service culture in their stores. Zorn said the new system has altered manager's duties, "Their responsibility now is to be an approachable manager and grow and develop their team. People don't leave companies, they leave supervisors. Now supervisors can focus on the things that count." Turnover has fallen by 28%.

41% & 26%

Retail leaders invested in some sort of labor scheduling technology

Plan to do so soon

ATKearney, "Retail Operations: People Are Still the Best Investment"

INFORMATION FOR ALL

Benjamin Franklin famously said, "If you fail to plan, you are planning to fail!"

We live in a time where everything moves quickly. Retail managers are expected to make decisions at warp speed in order to keep up with the changing times and demands of the customer. However, making decisions without data is mere speculation. These gut decisions can have a dramatic impact and determine the success or failure of a business. Workforce analytics provides metrics, alerts, and guidance to enable managers to make thoughtful decisions about how to best utilize their staff.

Technology continues to be retailers' number one area of workforce investment. Forty-one percent of retailers have invested in some sort of labor scheduling technology and 26% plan do so soon, according to "Retail Operations: People Are Still the Best Investment" a report from ATKearney. The total, 67%, is the fourth highest area (inventory management is number one) of technology investment. The report goes on to note that very few of the technology investments being made are helping retail workers do their jobs better despite the fact that 80% of consumers say they have a poor experience during direct interactions with in-store technology.

40% of retailers believe workforce training and development on mobile/digital is the store capability, which will have the greatest impact on workforce productivity and performance.

Source: EKN Research, "The Changing Role of the Store: Is Your Workforce Ready?"

Forty percent of retailers named access to workforce training and development as the store capability that will have the greatest impact on workforce productivity and performance, according to EKN's "The Changing Role of the Store: Is Your Workforce Ready?" report. Any type of employee training requires having the right workforce in the right place at the right time. As retailers experiment with innovative ways to increase sales, workforce analytics enables them to measure execution and quantify program effectiveness for more informed decision making.

Advanced workforce analytic solutions are designed so the various players, such as a store manager or development specialist get the information that is relevant to them and their responsibilities. This specialization helps each employee do his/her job without overwhelming them with information. Thanks to actionable insight, decisions are made based on data that drives continuous improvement. While the power of analytics is undeniable, an astounding 63% or retailers lag or significantly lag the industry when it comes to using analytics for decision making, according to *RIS/CGT*'s "Retail and Consumer Goods Analytics Study 2017."

49% of retailers plan to adopt technology related to forecasting and scheduling tools in 2018, while **38%** plan to adopt technology related to labor budgeting tools.

Source: EKN Research's "The Case for Improved In-Store Labor Standards"

THE FUTURE OF WORKFORCE ANALYTICS

Traditionally, retail has been a data-intensive industry — it serves millions of customers, moves hundreds of thousands of items, and stocks thousands of SKUs in countless stores. This comfort level with data will aid retailers as they continue to advance in the field of workforce analytics.

Forty-five percent of retailers plan to adopt technology related to forecasting and scheduling tools while 38% plan to implement technology related to labor budgeting tools, according to EKN Research's "The Case for Improved In-Store Labor Standards" report.

Life Time Fitness is a chain of health clubs with outlets in the U.S. and Canada. It is utilizing workforce analytics to create a demand-based scheduling solution that is able to identify labor drivers and predict how much labor is needed to create a high-quality member experience. Since implementing the solution, Life Time Fitness has optimize scheduling, helping the company increase membership retention and produce an 11.5% growth in revenue.

CONCLUSION

Workforce analytics can assist brick-and-mortar retailers of all sizes compete with surging digital retailers. One of the keys in that competition is to make the best use of its workforce. Putting employees in situations which they have been trained to handle, increases morale and engagement. Time must be dedicated to properly train the workforce so they can adjust to the rapidly changing retail scene. Doing so can reduce employee turnover and improve a retailer's bottom line.

Aligning labor costs to sales volume and improving sales effectiveness has never been more important. Having the right data on hand helps retail executives and managers make the right decisions. Workforce analytics can enable management to make informed decisions at the speed of today's rapidly evolving marketplace.

Savvy retailers are looking to technology to level the playing field and keep pace with the industry leaders. Workforce analytics is a key investment, which not only improves retail operations, but also bolsters the bottom line. Easy-to-use analytic solutions give managers the real-time data they need to make the decisions that allow their organizations to flourish.