Solve the Retail Workforce Management and Execution Challenge

A former VP at the third largest supermarket chain in the U.S. discusses the technology retailers can now implement to overcome their store operations challenges. Also, how retailers can reduce the margin of execution error in their stores and drive improvement in all metrics by which they measure store operations, including sales, labor costs, and task execution and workforce compliance rates.

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With almost every company feeling the pressure of today’s increasingly competitive market, the margin of error retailers have to execute their strategy in their stores has been reduced to almost zero. The most important thing for retailers to focus on is the margin of execution error. By reducing the margin of execution error, retailers will see improvement in all of the other metrics by which they measure store operations.

Each year, retailers spend more than $10 billion worldwide on planning systems such as merchandising, price optimization, and business intelligence. But despite spending significant time and money to plan their strategy, most retailers lack control over how well their merchandising, workforce management, and other plans are actually carried out in the stores. AMR Research, a leading retail analyst firm, estimates retailers put about $1.65 Trillion worth of merchandise at risk annually by executing only 59 percent of their merchandising and promotional initiatives in the intended fashion.¹

The difficulties in successfully managing a geographically dispersed retail company with hundreds or thousands of stores are due to challenges in five key areas:

- Planning and communication between corporate and stores
- Store-level execution
- KPI and compliance visibility
- Labor scheduling/time and attendance
- Vendor operations

My former position as group vice president of retail operations support for SuperValu was a corporate role responsible for supporting all the retail stores in the areas of customer satisfaction, front end operations, asset protection, shrink management, labor management, and task management. Prior to that role, I was director of operations and district manager for many years after growing my career within the stores.

In the corporate role, the primary objective was to ensure the stores were equipped with everything they needed to service the customer – great customer service programs, appropriate security coverage, safety training, and proper labor budgets. The position also requires one to work very closely with the company’s IT partners to ensure we had highly effective solutions at the right price. Based on my extensive experience and accomplishments in retail operations at the director, district, and store levels, I was well versed in understanding exactly how to support the stores and the challenges to doing so successfully.

**Retail Operations Challenges**

When the time comes to execute their strategy, here is why it is so difficult for medium- and large-sized retailers to carry out their plans as intended:

**Planning and communication.** Each functional area at the corporate headquarters feels their communication to the stores is the most important, or at least should be a priority. These functional areas typically have the autonomy to dispense that communication at will, and they either ignore or are not cognizant of the communication from other functional areas. This presents several problems:

1) The potentially incredible volume of communication sent through a variety of channels (email, phone, binders, employee portals, weekly newsletters, and more) creates what I call the “funnel effect.” Every day, the store manager is overloaded by communication from as many as a dozen functional areas.

2) Not only do these emails, snail mail, voice mails, and company mail come en masse, they rarely have a priority attached to them. Therefore, the prioritization is left to the interpretation of the store manager. As you can imagine, these interpretations can vary widely. In the rare case where there is a priority attached to a project, it is likely not in alignment with the overall company strategy.

3) These communications rarely require a response. When a response is required, the format can vary, which inhibits the ability of store and corporate management to view tasks and completion status comprehensively.

**Store-level execution.** Almost everything we do in operations is ultimately related to execution. Not that we want to stifle the creativity of our associates – we do need to provide an avenue to foster creativity – but our primary function is to execute/implement prescribed plans. Execution is the key to success of any retailer. Of course, we need high quality and viable plans to be successful. But without proper execution, our success will never be realized or at best, greatly diminished. In fact, if given the choice between a good plan that’s perfectly executed and a great plan that’s poorly executed, I’ll take the first option every time. Whether these plans involve merchandising, marketing, hiring, training, compliance, or customer service, the leader in the retail world will be the one that executes flawlessly.

To execute flawlessly, we need alignment, collaboration, and coordination supported by clear and concise communication. Clear and concise communication also requires the ability to ensure that execution has in fact been performed with a mechanism to collect and analyze feedback from the stores to improve processes.

But success in retail operations requires more than the ability to confirm task execution in the store. Retailers need to ensure that their employees are doing the right things to improve sales and customer service. That’s why retailers also need to be able to monitor real-time Key Performance Indicators (KPIs) related to sales and operations trends and act quickly using best practices. Only by aligning KPIs with retail strategy, tracking them in real time, and institutionalizing best practice response can retailers respond proactively to problems and opportunities. Retailers who can’t do so will find themselves constantly managing their business by “looking in the rear view mirror” and responding reactively – usually too late.

**Labor scheduling/time and attendance.** Scheduling to the needs of the business has always been difficult. For many years, the difficulty had to do with the lack of technology – we had to manually determine the busiest hours and days and then schedule accordingly – a very laborious task with a lot of room for error due to individual interpretation by store managers.

We also had the “schedule preference versus schedule requirements” dilemma, which is still prevalent today. There has been a tendency to empathize with people’s preferred schedule, which has at times, conflicted with the needs of the business. We need technology that makes these exceptions visible to those who need to know.

Another time consuming and error prone activity is tracking employee time and attendance and managing payroll. Trying to monitor compliance with complex labor laws and union rules and calculating payroll using manual systems such as paper time sheets, spreadsheets, and stand-alone clocks is prone to inaccuracies and consumes a lot of store and corporate management time. Without a way to ensure compliance, retailers risk millions in dollars in fines and class action suits along with additional costs due to buddy punching and payroll discrepancies. Meanwhile, store managers are stuck in an office spending hours on scheduling and payroll instead of walking the sales floor and helping customers and employees.
**Vendor operations.** Some of us are fortunate to have the luxury of vendor resources to help us keep displays and shelves full during peak business hours and days. Those busy times tend to be when our human resource pool is fully deployed. To make the most out of this benefit of vendor assistance, we need to ensure they are doing *what* we need them to do, *when* we need them to do it.

In a typical scenario, the vendor-supplied help shows up on a Sunday morning. The vendor wants to check off his or her task list as quickly as possible to enjoy the rest of the weekend. The vendor initially checks in with the manager, then disappears, never to be seen again. The store manager is usually much too busy to follow up. By 3 p.m., displays and shelves are decimated – sales are lost due to out of stocks, and frustrated customers may decide to stop visiting that store.

Wouldn’t it be great if the vendor had a predetermined time that fits the need of the business, verified by a method of “punching in,” with a sign off that all tasks are completed to satisfaction – with room for notes such as, “We were out of stock on the following three items”?

**The Current State of Retail Operations**

Over the last couple of decades, retail operations has morphed very significantly in two ways. The first major change is with the structure. In more cases than not, your organizational chart today will look significantly different than 10 years ago. This can be due to such factors as more or fewer stores, geographic expansion or contraction, and various other factors within the organization.

Similarly, retail planning processes have evolved over the past two decades from basic sales driven plans to much more sophisticated ones involving input from several functional organizations. Twenty years ago, many retailers’ planning process consisted of developing a demand forecast, working with supply chain and merchandising to ensure product would be available, and after a meeting or two, the plan was published. Now retailers’ planning processes involve collecting input from sales, merchandising, and marketing; what-if analysis incorporating supply constraints and demand-driving opportunities such as promotions and advertising; getting all functional areas to review and agree to the plan; and then measuring results and fine-tuning accordingly. But the one factor that is applicable to all organizations is the need to execute the plan, while doing more with fewer people, especially in the field.

More prudent companies have resisted staff reductions in the stores, which is not to say it hasn’t happened. Almost all organizations have reduced staff, some to a lesser degree than others, and not just in operations. HR, loss prevention, merchandising, and supply chain have all been affected. We are all doing more with less.

The second major change, which makes the “more with less” change more complex, is we are doing it with less experienced people. This is especially true of employees in the stores in terms of training and coaching. One of the first areas to be cut back when times are tough is training. Doing more with less also makes it more difficult for the experienced people to spend quality time coaching and mentoring – we’re just hoping this *osmosis* thing really works.

To mitigate these evolutionary changes, we’ve learned to manage smarter – not harder. We’ve become more efficient. We manage by exception. We focus on what matters. The problem with this is we tend to get the high level *stuff* done along with emergency/urgent items and the low hanging fruit. But training, coaching, and improved customer service – these are the areas that get short changed, and they are all critical to almost anyone’s long term strategies.

**Retail Execution and Workforce Management**

Over the course of my career, the technology available to retailers to help manage store operations has changed dramatically. Retailers no longer have to struggle with highly manual tools such as paper
reports, spreadsheets, and stand-alone client-server applications such as labor scheduling. Around
the beginning of the decade, a new type of integrated solution called a “Retail Execution Platform”
emerged. A Retail Execution Platform combines task management, labor scheduling, real-time KPI and
compliance monitoring, learning, and time and attendance functionality.

Unlike traditional stand-alone solutions that keep data in virtual silos, a Retail Execution Platform
provides a comprehensive view of what is happening (or not happening), and more importantly, what
should be done about it. For example, if a store is not meeting its sales goal in a specific department,
the system can issue an alert and automatically assign best-practice based corrective action. These
solutions enable store managers and associates to become more efficient – thus allowing time for
areas that are short changed today – and focus their attention on the most important things first. With
an integrated Retail Execution Platform, retailers can:

Streamline communication. Store managers have a single place to access everything they need
through an intuitive, calendar-based interface. No more wasting time sorting through multiple
communication channels for the latest information.

Prioritize tasks, coordinate planning. Corporate planners now have visibility into all the work that
is being sent to the stores and can prioritize tasks in alignment with the retailer’s goals. If stores are in
danger of being overloaded on a given day, lower priority tasks can be shifted to less busy dates.

Leverage closed loop, two-way feedback. Too often, when stores send emails to corporate
suggesting ways to improve processes, that information disappears into a black hole. Two-way
feedback enables store employees to complete structured surveys and send free-text comments about
what went right, or wrong. Corporate can use the feedback to improve processes so the next time
things will go more smoothly.

Monitor KPIs in real time and respond proactively. Retailers are not helped by the current crop of
MIS-style, paper-based reports. Not only are these reports costly in terms of preparation, distribution,
and paper consumption, they often arrive too late. Retailers need to know what’s happening right now
and they need to institutionalize best practice response to problems and opportunities. By linking KPIs
to actions, the retailer can monitor key sales and operations trends and respond rapidly using best
practices embedded in the system.

Generate optimal labor schedules to increase sales. It’s often said that labor is the second highest
expense in retail, trailing only the cost of products on the shelves. While this is true, too often labor
scheduling is seen as a cost controlling exercise. But no retailer has ever cost cut themselves to glory.
By integrating task management and labor scheduling, Retail Execution Platforms enable retailers
to factor in all the work that must be done in the stores, from daily operational tasks to corporate-
driven work such as new product launches, promotion setup, store re-sets, and so on. This integrated
approach ensures stores have the right mixture of labor to complete sales-driving tasks while meeting
target customer service levels. Modern solutions based on the latest scheduling technology can also
quickly generate schedules that factor in a high number of variables such as work rules and employee
proficiency and preferences to meet the needs of both the business and the workforce.

Simplify time and attendance and ensure compliance. By implementing integrated labor
scheduling and time and attendance solutions, retailers can save many hours per week per store spent
on correcting time cards, calculating payroll, and ensuring workers comply with work and overtime
rules. Instead of keeping all the information in their head, store managers get system alerts with
prescribed corrective action when an employee is about to violate a rule. Self-service tools enable
employees to look up their available vacation time, switch shifts with other workers (within the rules),
and perform other activities without having to get management involved. Additionally, when coupled with newer clocks that support biometric technology, time and attendance can cut down on “buddy punching” and other types of employee time theft.

**Utilize mobility solutions to make better decisions and improve customer service.** Every hour spent by a store manager in a back office is an hour taken away from potential customer and employee interaction. When regional and store managers can access KPIs and tasks and manage by exception using handhelds such as BlackBerry smartphones, that frees them from their desks to spend more time on the sales floor helping customers and providing leadership. Regional managers don’t have to waste time at each store determining where to focus. They already know what the key problems and opportunities are before they get into their car or airplane to visit the stores in their region.

**Case Study: Task Management Benefits Both Retailer and Manufacturer**

Prior to implementing task management technology, execution directions from the home office to stores at my former company were usually sent via email. The exception was merchandising plans, which the stores usually – but not always – received in a separate packet that had the plans for all departments. One of our suppliers, a leading maker of household goods, has several major promotional events each year. These events get major support from all stakeholders and are typically a tremendous success for both the manufacturer and the retailer. There are many components to the program, and proper execution is a key requirement for success. Timing is also essential because these events typically involve new item introductions.

To understand the return on this major investment, our supplier engaged a third party to audit the agreed upon terms of the promotion within the retail stores. The audit team would check for proper displays and signage, in-stock levels on the shelves, and whether or not the displays and signs were set up correctly and at the proper time.

In a meeting with the Key Account Representative for our supplier, we were advised that our compliance averaged 56 percent. The account representative wondered if our company could improve that score. We introduced the representative to our task management director, and they worked closely on the next major event. The event was launched using our new task management solution, with the agreement that the supplier would conduct its normal physical audit simultaneously. After the audits were conducted, we compared them to the compliance levels we had recorded using our task management solution – both the supplier audits and the task management applications indicated 96 percent compliance levels, over a 70 percent increase. Those stores that were not in compliance usually were lacking proper signage, either because it was not delivered or it was misplaced after delivery. Even more compelling to the bottom line, some of the new items achieved a 9 percent market share – more than two times normal.

**Additional Benefits: Increased Sales, Reduced Costs, Better Customer Service**

The case study about SuperValu and the leading household goods maker is just one example of how a workforce management solution benefits both the retailer and supplier. There are many more. The efficiencies gained by implementing an integrated task/labor scheduling/KPI solution enable managers and associates to:

- Spend more time helping customers
- Maximize the customer experience
- Focus on the most important areas
- Institutionalize best practice response to problems and opportunities
Here are additional benefits that I have seen from an integrated workforce management solution that includes task management, labor scheduling, and KPI/compliance monitoring:

- 5 percent retail sales increase compared to control group stores' sales. For a Billion dollar retailer, that’s an additional $50 million in sales per year
- 7-12 hours per week freed up for store managers to spend on the floor helping associates and customers. Managers no longer in back room reading emails, determining priority, and reading lengthy MIS-style reports
- 25 percent increase in vendor marketing dollars through increased compliance with trade promotions
- 10 hours per week freed up for managers in the field, with management able to monitor KPIs in real time and proactively respond to key sales and operations metrics
- $450,000 savings per year by eliminating the need to print, collate, and distribute paper-based store survey and audit forms
- 100 percent recall compliance, with time to pull product from shelves reduced from 5 days to 3 hours
- 20 percent improvement in price change compliance
- Up to 24 percent sales uplift on certain promotional items compared to control stores
- 11 fewer hours per week required of store employees and banner administrators in the “Reporting Daily Sales and Labor” process. At $10 per hour (blended cost) for a chain with 13 banners and 2,500 stores, that adds up to savings of $8.4 million per year
- 3 Hours per store per week saved by eliminating multiple communication channels (email/intranet/paper binders, etc). At $10 per hour (blended cost) and 2,500 stores, that translates to savings of $3.9 million annually
- Corrections to communications reduced by 10-20 percent (depending on department)

Retail Operations Made Easier
Over the years, Retail Execution Management solutions have evolved from clunky client server tools that were hard to implement, maintain, and use. Today’s Web-based solutions can be implemented much more easily and rapidly than other enterprise solutions – three or four months instead of years. Software developers have also spent significant time and money on user interface Research and Development to ensure the solution is easy to learn and use. Retail executives should take a closer look at Retail Execution Management tools. Not only do they make their store operations more efficient, they ensure that carefully planned retail strategy is executed as intended in all stores.

Tim Lynch was formerly Group Vice President of Retail Operations Support for SuperValu, a leading supermarket operator with more than 2,500 stores, approximately 200,000 employees, and expertise in grocery retailing and supply chain operations. He has a passion for execution excellence in the field of retail operations. He can be reached at tim.lynch99@gmail.com.