

# Labor Management - Understanding the Basics

No matter how many robots, kiosks and other fancy machines are created to improve the in-store experience, retail stores still need human power to operate and the personalized customer services provided by store associates. After all, the human touch can still give brick-and-mortar retailers an advantage over eCommerce merchants.

Labor Management is key to making sure each store has the right associates in place at the right time to provide this experience. The effective allocation of store labor is also critical to sales and profit at the store level, since labor is a huge expense for retailers. However, the traditional process of creating store-level payroll budgets using a plethora of spreadsheets and tying them to corporate targets can be arduous and time-consuming.

Research has found that relying on payroll as a percent of sales alone is an ineffective method of determining optimal store payroll levels. If a retailer could better predict the number and skill set of employees that each of its stores need

every day of the week, then customers would receive prompt sales assistance, shelves would be replenished in a timely manner, employees would be neither idle nor overworked, and, in most stores, labor costs would go down. In fact, a data-driven approach to labor scheduling and labor budgeting often leads to significant cost savings and improved customer service.

## The Essentials of Labor Management

Labor Management affects the retail organization from the top down. It goes beyond managing employee schedules and allocating talent and skills at each individual store. Labor Management affects the retail organization both at the corporate level in establishing financial plans and managing results, and at the store level in improving the customer experience, efficiency and profitability.

Labor Management is made up of store labor scheduling: “If I have x number of budget hours available for this store for this week, how should I schedule Mary Sue and Bobby Joe to cover those hours each day?” It also incorporates store labor planning: “How do we allocate our constrained payroll dollars most effectively across the chain to minimize payroll costs and maximize sales?”

At the highest level, corporate allocates a certain monthly budget towards labor and stores determine what budgets they need to meet their objectives. From there, labor budgets are generated on a weekly basis by store and/or department. Finally, hourly employees are scheduled based on their availability to meet those labor budget needs.

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#### **Weekly scheduling, daily time and attendance.**

A weekly schedule is created combining employee availability, schedule rules and constraints with weekly forecasted volumes. Once the schedule is created and followed, daily employee punch data is collected to determine actual hours and payroll.

#### **Daily and weekly performance reporting.**

Daily and weekly performance reporting compares actual performance against a daily, weekly and monthly basis plans.

With a large number of complicated factors

## ...planners should incorporate best practices across all areas...

Various components are factored into labor management, including:

**Task and standards.** Tasks are defined for each area within the store. This data is then used as the foundation for all labor budgets, forecasts and performance reports.

**Store profiles.** Each store’s specific configuration requirements must be considered, including minimum staffing requirements, square footage, number of floors, number of entrances, etc. Annual budgeting. These are created by combining budgeted volumes with task and standard definitions.

**Weekly forecasting.** Weekly forecasts are

to consider, planners should incorporate best practices across all areas of Labor Management. Following is a checklist of all items a Labor Management plan should include, both in the creation of a Labor Management plan as well as factors to consider during review cycles:

#### **Forecasting**

- Trended averages adjusted for seasonality and events including: sales projections, customers, items, etc.

#### **Scheduling , Time and Attendance**

- Optimized employee schedules compliant with key performance indices such as Sales per Labor Hour (SPLH) and labor percent targets.
- Quarter-hour based schedules to support both department service levels and employee availability.

# Do not underestimate the amount of work and the amount of change...

- Consideration for non-selling activities and employee skills.
- Time and attendance interfaced with scheduling to address labor tracking, budgeting and payroll requirements.
- Automate download of schedules to the time and attendance system for shift compliance check.

## Standards

- Process redesign.
- Store specific task level target standards with seasonal variances.
- Minimum staffing requirements.

## System Integration

- Interface point-of-sale data, human resource data, scheduling software, Time and Attendance and payroll.
- Account for budget constraints.

## Budgeting

- Regimented compliance with SPLH Standards and labor percent goals at both department and job levels adjusted for volume and seasonal variances.
- Recognition of store specific layouts and specific store requirements.

## Allocation

- Interfaced, quarter-hour point-of-sale data at the department level.

- Establish seasonal and holiday patterns.

## Reporting

- Store and department level reporting for daily labor management utilizing numerical and graphical representation of data.
- Store and corporate level reports for both daily and weekly performance management and budget compliance checking.

To achieve success in store labor planning, it's important to follow these four steps:

**Establish base coverage levels.** Identify the critical store attributes that are unique to each store and determine the base level of payroll that must be met to ensure adequate floor coverage is provided during all open hours.

**Special program hours.** On top of the base minimum hours, there are always special program hours or key event support hours that need to be added based on a store's demographic group, union status, store size, or other factors.

**Flex hours.** Although it shouldn't be the primary metric, distributing additional "flex hours" to high-performing stores once core needs have been addressed can significantly increase the effectiveness of payroll resources.

**Variable benefits and taxes.** Adding salaried payroll by position, variable compensation, benefits, and taxes complete the total store payroll picture.

# The Challenges of Labor Management

Labor Management is complex. Do not underestimate the amount of work and the amount of change to your organization as you embark on your Labor Management journey. Change management is perhaps the biggest challenge retailers face in adopting a new Labor Management strategy or technology. In addition, Labor Management presents its own challenges, such as the need for retailers to carefully manage the cost that represents an average of 10-12% of revenue: payroll. If payroll management is not handled correctly, resources will not be allocated to the stores that will most effectively improve sales. Additionally, lack of proper staffing in critical stores will only encourage shoppers to turn to the convenience of shopping online.

In today's planning environment, too many retailers continue to rely on time-consuming, manually intensive practices and systems that stunt effective labor allocation. Relying on payroll as a percent of sales alone is an ineffective method of determining store payroll levels. Understanding critical drivers and tasks to drive sales efficiently is key here. Basing labor budgets solely on prior year data is not ideal either, due to the risk of perpetuating poor performance and missing the opportunity to adjust to changing market conditions

To face these challenges, it is key to engage well-experienced change management resources at the beginning of the journey.

## What Does Columbus Consulting International Bring To The Table?

We are a unique agent of change for any client that we work with. As a trusted partner, we can

guide, support and deliver new ways of working to a company through our deep expertise in Labor Management – we have “sat in the seats” of our clients in corporate roles and have first-hand industry experience and understanding of Best Practices.

In addition, we have a unique mixture of strategic insight and hands-on pragmatism, along with an ethos that brings agility and flexibility in focusing on your success. We are also masters of change management – we know how to make change stick and how to work with users/stakeholders to successfully adopt change.

Since our inception, Columbus Consulting has worked with a variety of companies across the globe in a broad range of retail sectors to improve customer engagement, while improving the visibility and accuracy of labor management. Our consultants have more than 20 years' experience implementing leading Labor Management technologies for more than 120 retailers across a variety of technology platforms, and we are software vendor agnostic.

Columbus Consulting leverages the extensive experience of proven retail executives, Labor Management professionals, and systems and technology experts. Our team understands that Labor Management is complex and we recognize that in order to be successful, the solution must be a perfect match to the needs of the retailer.

For more information, and to learn how Columbus Consulting can bring real and lasting change to your company, contact us or visit [www.columbusconsulting.com](http://www.columbusconsulting.com).

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