



*Enterprise Workforce Management:
Redefining the Boundaries of
Customer-Centric Retailing*

Benchmark Study: March 2010

Sponsored by:



By:

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EXECUTIVE SUMMARY

This year's benchmark on retail workforce management finds that while labor needs have changed significantly, the need for flexibility and control over when and where labor is deployed has not. Consumers' demands of retailers have not abated in spite of economic conditions: more channels, more seamless experiences across channels, and a significant shift towards online as the starting point for more shopping trips have put new pressures on where retailers deploy their labor, and how to make the best use of the labor hours they have available to invest. All through the last year, RSR's research has shown that Retail Winners managed inventory and prices tightly, and spent their free time planning their comeback for when consumer spending returned. Labor is no exception. Retail Winners have managed to both increase the productivity and efficiency of their workforce, while also positioning themselves for future growth.

THE BUSINESS CHALLENGE

Our survey respondents underlined the importance of improving employee performance and improving the customer experience. Retail Winners most clearly connect the two business challenges: if the retailer has unproductive work practices in place, store employees won't have time to satisfy customer needs. Laggards are much more focused on reducing labor and therefore make a stronger connection between employee productivity and cost cutting. Retailers rate "maximizing labor productivity" as their top operational challenge. But whereas laggards are more focused on the mechanics of Workforce Management (WFM) than Winners, over-achievers put the focus on ensuring consistency and retaining valued employees. Although nearly all retailers report that they use hourly scheduled labor in the stores, it certainly isn't the only operational arena where retailers are challenged to efficiently manage their labor spend.

OPPORTUNITIES

Retail Winners put more emphasis on the customer experience, while laggards are more focused on consistency in execution. Winners are also more likely to emphasize tools that help empower employees - like ensuring that the right amount of labor hours is devoted to the right work. While all respondents report that optimizing store processes is a top opportunity, Retail Winners place a much greater emphasis on it than their peers. When looking at where retailers see value opportunities from workforce management implementations, cost improvements and revenue improvements vie for the top spot, but Winners place much more value on revenue opportunities. The take away from these opportunities is not that Winners are more interested in investing in people than technology, but that they see more opportunity in enabling workers, rather than in controlling them.

ORGANIZATIONAL BARRIERS

Although many retailers (and Winners in particular) see more opportunities for personal development & training as well as targeted coaching, and see the opportunity to enable more employee input into such things as work schedules, over one-half of our respondents see "hourly employee cultural and change management issues" as the top inhibitor to moving forward. But laggards complain about lack of budget; these retailers rate it as the top inhibitor. Despite the finding that it's the human factors (for Winners) or budget (for laggards) that present the biggest inhibitors to implementation of WFM solutions, technological factors play a big part in overcoming those inhibitors. Retailers would rather spend their money training their employees about the processes that are being implemented, not the technology that makes them "go".

TECHNOLOGY ENABLERS

Time and attendance, time-keeping hardware, budgeting, and forecasting are the most adopted technologies today. Task management is now a fairly accepted piece of the WFM portfolio. A majority of respondents felt that having a single suite is very important, and a significant minority further agreed that it is very important to provide a single WFM capability across the different areas of the business that make use of hourly workers.

BOOTSTRAP RECOMMENDATIONS

People drive revenue. Retail is fundamentally a relationship business, and Winners understand the relationship between getting the right people for the right job and customer satisfaction, which in turn drives revenue. Winners value task management but more as an empowerment tool for good employees. Beware the “change monster”; any change in the way workers work is an enormous management undertaking that is frequently under-estimated. The basic question that retailers must answer in order to get the full value from an integrated WFM implementation is from the hourly employee: “What’s in it for me?” However, it isn’t only about “people”: the technology does matter. The chosen technology solution must be easier to use than to avoid. Retail decision makers need to consider not only today’s needs, but tomorrow’s as well. Workforce management has expanded well beyond simple time and attendance, to include scheduling, forecasting, and budgeting, and increasingly task management, workload planning, and engineered labor standards. The complex relationship between these capabilities underlines the reality that retail itself is a complex collection of people, products, and services that work together to address consumer needs.

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SECTION I: OVERVIEW

WHY THE STUDY WAS CONDUCTED

In past research on retail workforce management topics, RSR has found that retailers struggle to achieve greater flexibility: store managers need to be able to react more quickly to changes in the selling environment, whether because of traffic or sales outpacing budgeted labor, or because of the need to reduce labor to match lower demand. Unfortunately, the challenge primarily has been to match labor against an unprecedented shift in consumer behavior – either shopping and spending less, or at a minimum being much more rigorous about purchases in general.

However, even while the economy sat out the last year and more, consumers' demands of retailers have not abated. More channels, more seamless experiences across channels, and a significant shift towards online as the starting point for more shopping trips have put new pressures on where retailers deploy their labor, and how to make the best use of the labor hours they have available to invest. Has this changed retailers' priorities when it comes to workforce investments and the tools to manage those investments? When retailers have cut as much labor out of stores as they dare, what can they possibly do to maintain high levels of productivity while meeting or exceeding customers' expectations of service?

This year's benchmark on retail workforce management finds that while labor needs have changed significantly, the need for flexibility and control over when and where labor is deployed has not. Retail Winners have managed to both increase the productivity and efficiency of their workforce, while also positioning themselves for future growth. Laggards, on the other hand, struggle to predict their labor needs - when they're not outright slashing labor to match falling demand.

METHODOLOGY

RSR uses its own model, called the “BOOT,” to analyze Retail Industry issues. We build this model with our survey instruments. [Appendix A](#) contains a full explanation of the methodology.

In our surveys, we continue to find differences in the thought processes, actions, and decisions made by retailers who outperform their competitors and the industry at large. The BOOT model helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

DEFINING RETAIL WINNERS AND WHY THEY WIN

Our definition of Retail Winners is straightforward. We choose to follow top line performance. Retailers cannot cut their way to successful growth, and only those retailers that can consistently demonstrate that they understand and can meet the needs and desires of their customers are going to succeed.

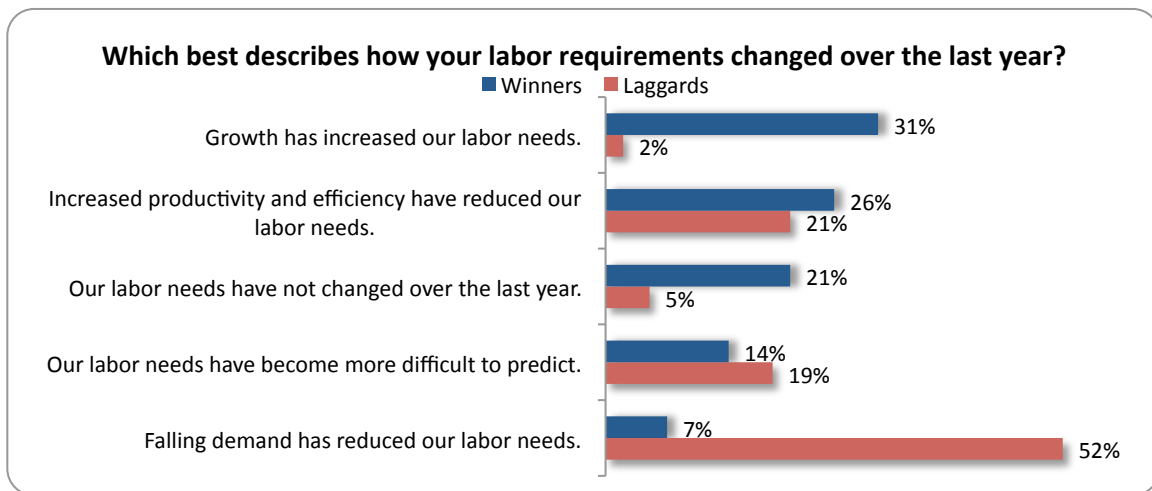
Assuming industry average comparable store sales growth of three percent, we define retailers with sales above this hurdle as “Winners,” those at this sales growth rate as “average,” and those below this sales growth rate as “laggards” or “also-rans.” It is consistent throughout much of RSR’s research findings that Winners don’t merely do the same things better, they tend to do different things. They think differently. They plan differently. They respond differently.

Obviously, in a selling environment like we saw in late 2008 and most of 2009, it's challenging to find retailers whose comparable store sales improved over prior years. However, with overall retail sales improving 2.5% in 2009 over 2008, we felt that we were not setting the bar too low by asking if retailers' sales performance was flat, up, or down.

START YOUR ENGINES

If retailers' plans are any indication, the economic crisis is coming to an end. All through the last year, survey respondents in all of our research have indicated that Retail Winners did not sit idly by nor take a protective stance around their businesses. They managed inventory and prices tightly, and spent their free time planning their comeback for when consumer spending returned. Labor is no exception (Figure 1).

Figure 1: Retail Winners Prepare for Growth



Source: RSR Research, March 2010

SURVEY RESPONDENT CHARACTERISTICS

RSR conducted an online survey from November 2009 to January 2010 and received answers from 134 respondents. Respondent demographics are as follows:

- **Job Title:**

Senior Management (CEO, CFO, COO)	17%
Vice President	16%
Director/Manager	51%
Internal Consultant & Other Staff	16%

- **2009 Revenue (\$ Equivalent):**

\$50 Million or less	11%
\$51 - \$999 Million	33%
\$1-\$5 Billion	37%
Over \$5 Billion	19%

- **Locations (Headquarters vs. Retail Presence):**

<u>Region</u>	<u>HQ</u>	<u>Retail</u>
United States	74%	82%
Canada	6%	35%
Latin America	2%	15%
Europe	9%	26%
United Kingdom	2%	22%
Middle East	0%	10%
Africa	1%	5%
Asia/Pacific	6%	25%

- **Segments:**

Fast Moving Consumer Goods (FMCG)	26%
General Merchandise and Apparel (GMA)	19%
Specialty Hard Goods	13%
Specialty Apparel	18%
Food/Hospitality/Other	23%

- **Year-Over-Year Comparable Store Sales Growth Rates (assume no growth in 2009):**

Down	35%
Flat	31%
Up	34%

SECTION II: BUSINESS CHALLENGES

RETAIL IS AS MUCH ABOUT PEOPLE AS PRODUCTS & PRICES

A 2006 article from the Miller Center (University Of Florida) "Retailing Education & Research" newsletter stated that the purpose of retail "...is to deliver experiences that consumers want. Consumers' experiences are formed by their contacts with products and services at stores." In fact, a casual browse through various retailers' mission statements shows that at least in word, retailers are as focused on the experience as they are on products and prices:

"Our mission is to make Target the preferred shopping destination for our guests by delivering ... an exceptional guest experience...";

"Sears Holdings is committed to improving the lives of our customers by providing quality services, products and solutions that earn their trust and build lifetime relationships";

"We [CVS] will be the easiest pharmacy retailer for customers to use".

A 2007 study of over 20,000 consumers worldwide¹ by the IBM Institute For Business Value underlined the importance of service in ensuring a great customer experience. According to the study, "customer service" is one of seven key attributes that drive customer advocacy for a retailer. The study further stated that real customer service requires "... a culture of information and empowerment for store employees to make decisions that promote customer satisfaction."

THE RECESSION HAS CAUSED A SHIFT TOWARDS COST CUTTING

Inherent in ensuring a good customer experience is effective utilization of the retailer's human resources. But, as every retailer knows, "labor" is usually the biggest expense item on the P&L. Retailers often spend between 10-15% of revenue on labor, and most of that goes to the stores. In RSR's November 2007 study, "The State of Retail Workforce Management,"² we confidently stated that, "we now see a shift away from cost management to an investment in customer service. Retailers are putting employees back into the store." That conclusion was based on the finding that 48% of retail survey respondents had increased store labor as a percent of sales compared to 2006.

Perhaps it's no surprise that in the teeth of one of the worst economic downturns since the Great Depression, retailers would respond to tough revenue numbers by tightening their belts on labor spending first. RSR's June 2009 report, "Walking the Razor's Edge: Managing the Store Experience in an Economic Singularity,"³ showed exactly that outcome. According to the report, "...we see the impact economic conditions have had on payroll budgets and payroll to sales ratios. More than two-thirds of

¹ "Why Advocacy Matters To Retailers," 2007, IBM Institute for Business Value

² *The State Of Retail Workforce Management*, November 2007, © RSR Research LLC

³ *Walking the Razor's Edge: Managing the Store Experience in an Economic Singularity*, June 2009, © RSR Research LLC

retailers surveyed have reduced their payroll budgets due to economic conditions, and 40% have decreased those payrolls by an amount greater than their changes in sales.”

Despite the troubled economy and retailers’ reaction to it, consumers haven’t put their desire for a better, more relevant, experience on the back burner. If anything, consumers are more insistent than ever. As a result, in the June 2009 study, retailers identified the customer experience as one of their top business challenges. But they also showed a sensitivity to the fact that the way to “pay” for an improved customer experience is by achieving a more consistent and productive level of execution by store employees, and not by spending more on labor. RSR concluded: “...there is a great degree of unanimity across all the performance groups that employees need to be empowered with better tools and information, with winners most clearly demonstrating an understanding that better productivity is linked to better service to consumers.”

THE STORE HAS THE BIGGEST CHALLENGES...

The subject of Workforce Management (WFM) covers a lot of ground, including the ability to track job applicants, time & attendance, forecasting and scheduling, tracking and performance management, and compliance to training programs. Such capabilities allow retail operators to comply with union rules, put people onto the right assignments based on their skills and availability, manage employee career paths, proactively manage overtime, and enable a quick and efficient response to real-time conditions when they differ from forecasts. In stores, WFM enables retailers to optimize non-selling functions so that a greater percentage of the labor spend can be focused on selling activities.

When we asked retailers to identify the top business challenges associated with workforce management, our survey respondents underlined the importance of improving employee performance and improving the customer experience (Figure 2).

Figure 2: Winners And Laggards: Different Goals In Mind

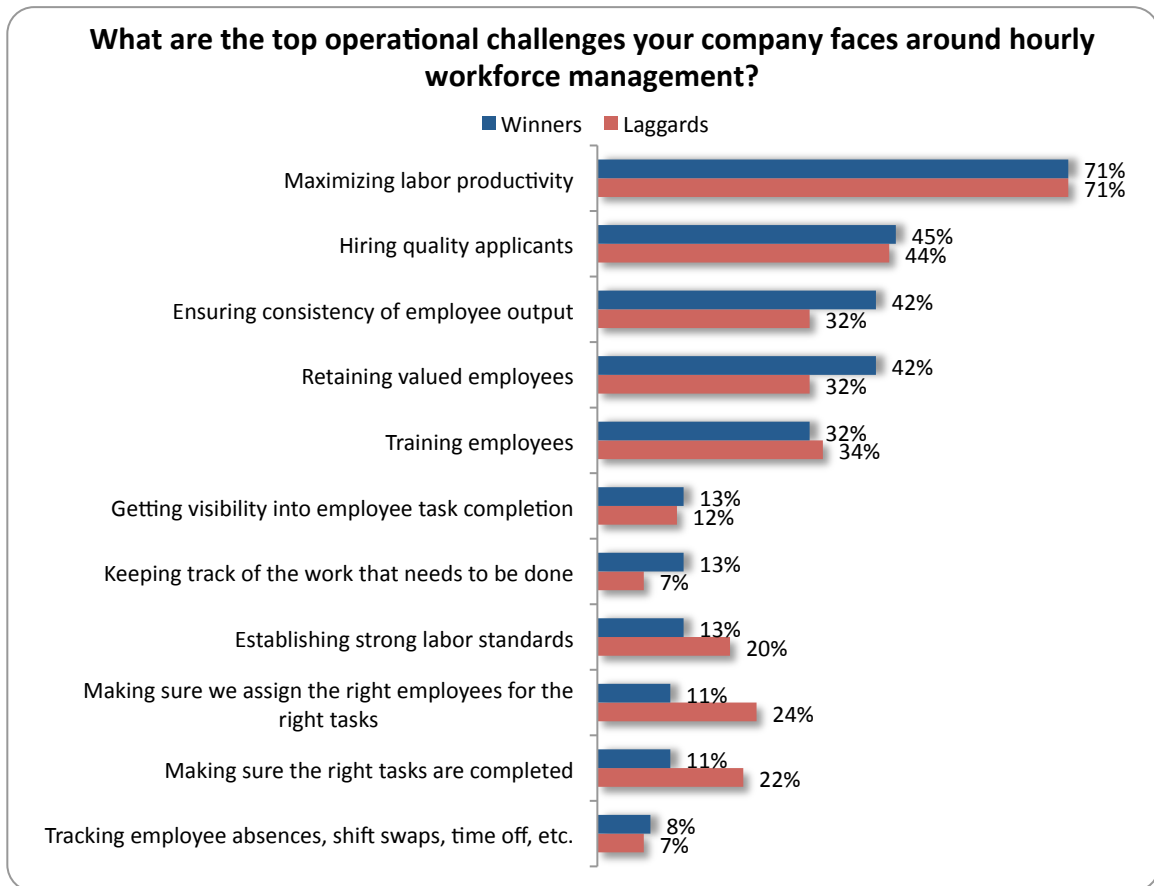


Source: RSR Research, February 2010

Retail Winners most clearly connect the two business challenges: if the retailer has unproductive work practices in place, store employees won't have time to satisfy customer needs. Laggards, on the other hand, are much more focused on reducing labor and therefore make a stronger connection between employee productivity and cost cutting. For them, improving productivity isn't a path to focusing more attention on customer satisfaction, but a way to cut costs in search of improved profitability.

Whether the focus is on improving customer service or reducing labor costs, it follows then that both Retail Winners and laggards would face the same operational challenge - productivity. And as expected, both groups of retailers rate "maximizing labor productivity" as their top operational challenge (Figure 3). But from there, over-performers and under-achievers diverge from each other. Whereas laggards are more focused on the mechanics of WFM than winners (establishing strong labor standards, assigning the right tasks to the right people, making sure that tasks are completed), Retail Winners put the focus on ensuring consistency and retaining valued employees.

Figure 3: The Person Or The Process?



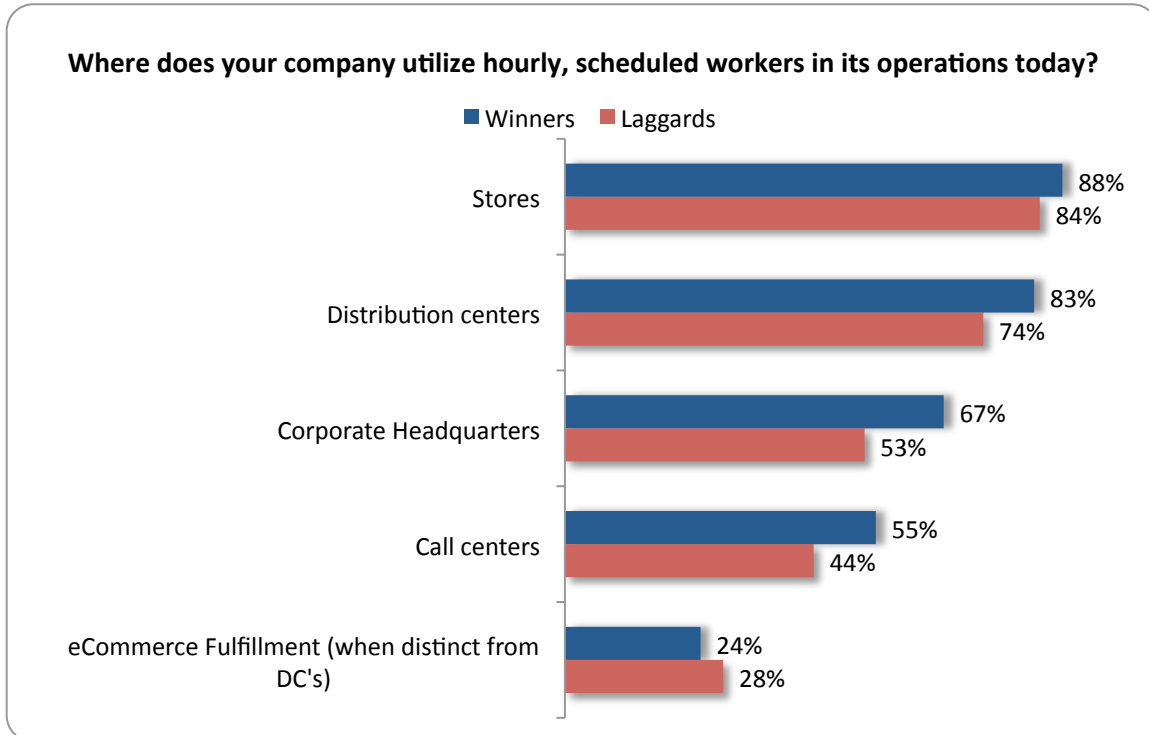
Source: RSR Research, February 2010

Winners understand that retail is fundamentally a relationship business, and so are more interested in retaining the right employees. Laggards definitely are most interested in *control*. Winners, as we'll see below, value task management but more as an *empowerment* tool for good employees than as a way to control them.

...BUT IT'S NOT JUST ABOUT THE STORE

Although nearly all retailers report that they use hourly scheduled labor in the stores, it certainly isn't the only operational arena where retailers are challenged to efficiently manage their labor spend (Figure 4).

Figure 4: Hourly Workers Everywhere



Source: RSR Research, February 2010

According to this study's survey results, most retailers also employ hourly workers in distribution centers (DC's), Corporate Headquarters (HQ), and Call Centers (with Retail Winners making the greatest use of hourly employees). Each of these areas presents a different challenge to retailers. While stores are heavily dependent on customer traffic flows to determine the pace of their operations, DC's and Call Centers can be more seasonal, and HQ employees follow highly routinized processes. Stores also have a much more transient unskilled workforce than the other environments, while DCs require more skilled labor such as machine operators. HQ employees are often clerical or computer-technical.

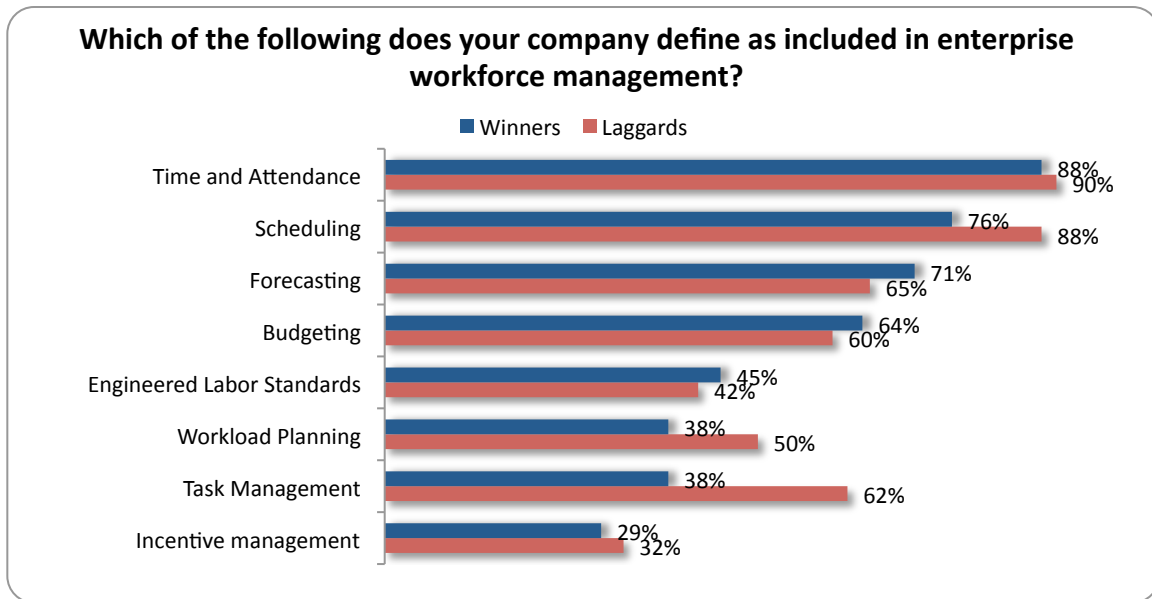
When considering workforce management practices and technologies to help retailers manage different types of workforces, consideration must be given to the variability of the tasks and schedule as well as the relative technical sophistication of the workers who would use the technology.

SECTION III: OPPORTUNITIES

NOT YOUR FATHER'S WORKFORCE MANAGEMENT

While the concept of managing labor has changed little throughout retail's history, the tools available, and the scope of those tools, have changed significantly. Workforce management has expanded well beyond simple time and attendance, to include scheduling, forecasting, and budgeting, and increasingly task management, workload planning, and engineered labor standards (Figure 5).

Figure 5: Defining Workforce Management



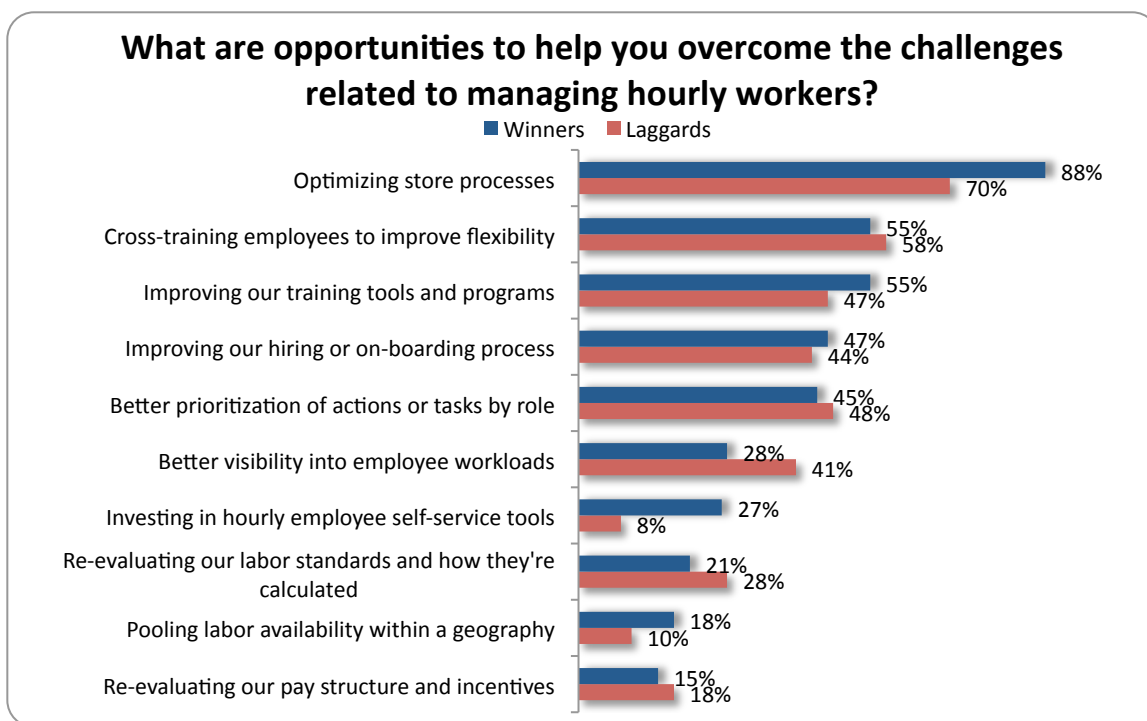
Source: RSR Research, March 2010

It is interesting to note that Retail Winners have put slightly more emphasis on budgeting, forecasting, and labor standards, while laggards put a much heavier emphasis on scheduling, workload planning, and task management. Winners have moved on from productivity improvements and are more likely to emphasize tools that help empower employees - like ensuring that the right amount of labor hours is devoted to the right work. Laggards, in their search for consistency and greater control, put a bigger priority on tools like task management and scheduling. This is consistent with what RSR has seen over the last year: **Winners put more emphasis on the customer experience, while laggards are more focused on consistency in execution**, a theme that we will see emphasized more than once in this research as well.

THE RIGHT PROCESS FOR THE RIGHT PEOPLE

When it comes to the opportunities that retailers see for their workforce, survey respondents report that a process orientation is key, followed by improved training (Figure 6).

Figure 6: The Process Opportunity



Source: RSR Research, March 2010

While all respondents report that optimizing store processes is a top opportunity, Retail Winners place a much greater emphasis on it than their peers. When combined with winners' interest in improving training programs, the hiring process, and employee self-service tools, it becomes clear that Retail Winners are more focused on improving their people as a way to get a better process. Laggards, on the other hand, are looking to technology to give them more control over the process, with more opportunity seen around things like cross-training employees to improve flexibility, greater visibility into employee workloads, and re-evaluating labor standards.

Ironically, this leads to only a slight divergence in opinion between Winners and laggards as to how to improve the quality of their hourly workforce (Figure 7). However, where differences do exist, they underline how Winners and laggards view their hourly employees. For example, laggards see more opportunity around better monitoring of employees and closer management of workload, while Winners prefer personal development opportunities, targeted coaching, better pay, and more comprehensive feedback on performance.

Figure 7: The Process Opportunity



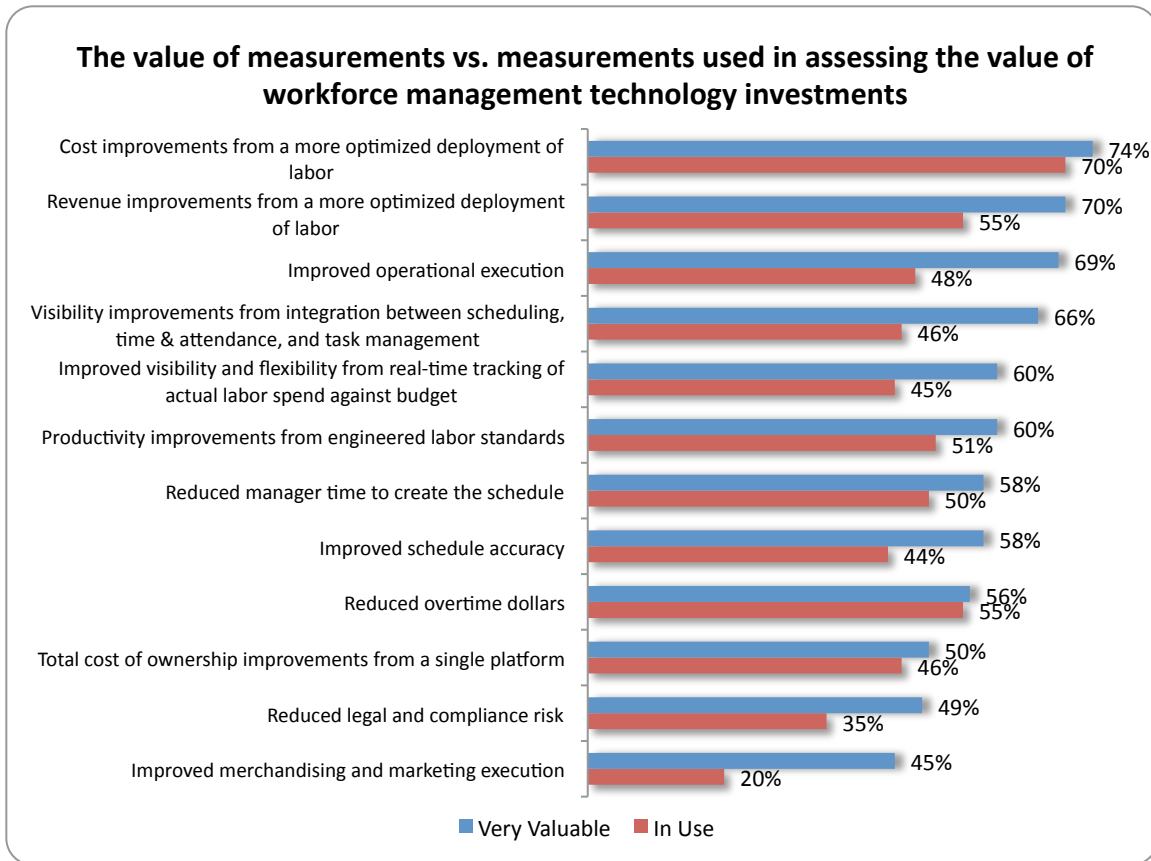
Source: RSR Research, March 2010

THE OPPORTUNITY FOR VALUE

When looking at where retailers see value opportunities from workforce management implementations, cost improvements and revenue improvements vie for the top spot (Figure 8). However, in terms of the survey respondents who report that they are actually realizing these improvements, cost quickly comes to the fore. The largest gaps between very valuable measures and the respondents who say they are hitting those measures are around revenue improvements from a more optimized deployment of labor, improved operational execution, and visibility improvements from integration between scheduling, time and attendance, and task management.

More telling are the differences between Winners and laggards in what they value and what they are achieving from their workforce management initiatives: Winners place much more value on revenue opportunities (75% vs. 67% of laggards), while also emphasizing cost improvements (78% vs. 67%). Winners also place more value on opportunities for merchandise and marketing execution improvements (52% vs. 41% of laggards). Laggards place more value on visibility improvements (67% vs. 62% of Winners) and total cost of ownership (55% vs. 46% of Winners), among other things.

Figure 8: The Value Opportunity



Source: RSR Research, March 2010

In terms of *achieving* these benefits, Winners are very definitely leading the pack - 81% report that they have achieved cost improvements, more than the 78% who report that such benefits are "very valuable." Only 60% of laggards report the same result. Laggards' most-valued opportunity is improving operational execution (76% report it very valuable vs. 62% of Winners), but Winners outpace laggards in achieving operational execution by 52% to laggards' 40%.

EMPOWERMENT AND FLEXIBILITY VS. CONSISTENCY AND CONTROL

The most important point to take away from these opportunities is not that Winners are more interested in investing in people than technology. As we'll see in the section on technology enablers, Winners are very interested in the benefits that technology investments can provide--and still seek all the same benefits as laggards, to varying degrees, as we saw above. The main difference comes in the opportunities that winning retailers see for these investments. Having already been down a path towards productivity and visibility, Winners now see more opportunity in enabling workers, rather than in controlling them.

SECTION IV: ORGANIZATIONAL INHIBITORS

THE CHANGE MONSTER

In the 2001 book *The Change Monster*, organizational development author Jeanie Daniel Duck asserted that:

“Too many executives focus solely on the operational aspects of change but to implement new ways of working requires people to think and act differently. To be fully effective, changes must address the intellectual and emotional issues – the hearts and minds – as well as the machines and systems.”⁴

With any change, technology-enabled or otherwise, the human issues are the hardest ones to overcome. Retailers are certainly aware that in order to bridge the opportunity gaps that exist between current workforce practices and corporate objectives, whether to improve customer service or to save money or both, they have a steep hill to climb.

There are many reasons why this would be so. In the stores, the work is hard – the hours are lousy, the pay is low, and training is usually minimal. These issues alone dictate a certain dynamic – the available labor pool may be unskilled and unmotivated, and turnover is high. On top of that, many retailers have unionized departments, sometimes each with their own work rules. For their part, store managers aren’t the entrepreneurial merchants of yore – after all, the industry has spent the last 30 years limiting the amount of latitude the store manager has to make “local” decisions. But as RSR has documented in other studies, the consumer doesn’t care about any of that – she wants more than the right products at a good price - service is the differentiator, and that takes good employees.

The challenge extends to the distribution centers, but with a different dynamic. DC employees often have to work machinery and that takes familiarity (if not training) and skill, but the work isn’t steady and day-workers will often rotate between several different companies, i.e. they are not particularly loyal to any one employer and that is reciprocated with minimal training.

Even at corporate facilities such as company headquarters and call centers, where work tends to be highly routine, processes can be suboptimal – poorly designed and poorly executed, manned by hourly employees who are merely putting in the time.

In this study, the responses underline the concern. Although many retailers (and Winners in particular) see more opportunities for personal development & training as well as targeted coaching, and see the opportunity to enable more employee input into such things as work schedules, over 50% of our respondents see “hourly employee cultural and change management issues” as the top inhibitor to moving forward (Figure 9).

⁴ *The Change Monster*, by Jeanie Daniel Duck, 2001, Three Rivers Press, p. xii.

Figure 9: People Issues Are Hardest To Overcome



Source: RSR Research, March 2010

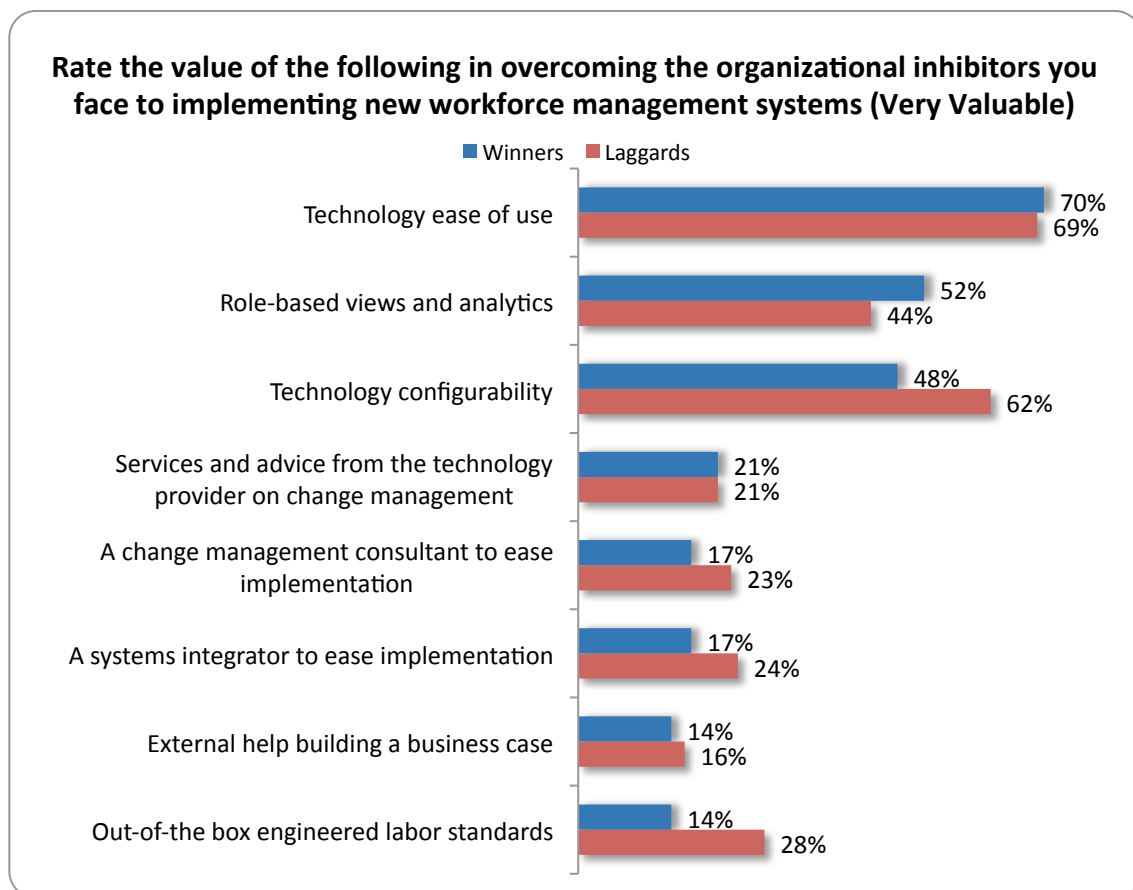
Looking inside the results, Winners are slightly more sensitive to the human factors than their underperforming competition (52% compared to 46% for laggards). On the other hand laggards are far more prone to complain about lack of budget; at 49%, these retailers rate it as the top inhibitor. In an interesting twist, more Winners are skeptical of a clear ROI than laggards (31% compared to 23%). Although both numbers represent a minority opinion, it can be contended that Winners have been down the WFM road before; survey results suggest that more Winners have implemented “homegrown” systems in the past than other retailers, even if they are moving towards new application delivery methods for WFM capabilities (see next section below).

Any change in the way workers work is an enormous management undertaking, especially when potentially so many personnel are involved. These challenges are far beyond what a typical technology implementation usually requires, and a plan to adequately address them is frequently under-estimated. As we’ll discuss in the next section, the technology enablers for more focused and effective workforce management have far outstripped the culture’s expectations for what the technology can provide. But ***the basic question that retailers must answer in order to get the full value from an integrated WFM implementation is from the hourly employee: “What’s in it for me?”***

THAT HAVING BEEN SAID....

Despite the finding that it's the human factors (for Winners) or budget (for laggards) that present the biggest inhibitors to implementation of WFM solutions, technological factors play a big part in overcoming those inhibitors. Tops on the list for both Retail Winners and laggards is "technology ease of use" (Figure 10). This reaffirms one of the old truisms about system acceptance – the solution must be easier to use than to avoid. Given the reach of WFM solutions over the broadest number of employees, technology training costs have to be kept to a minimum, and that puts the onus on technology solutions providers to design systems whose interfaces are easy and intuitive, and conform closely to commonly adopted interfaces such as a common browser. Retailers would rather spend their money training their employees about the processes that are being implemented, not the technology that makes them "go".

Figure 10: Easier To Use Than To Avoid



Source: RSR Research, March 2010

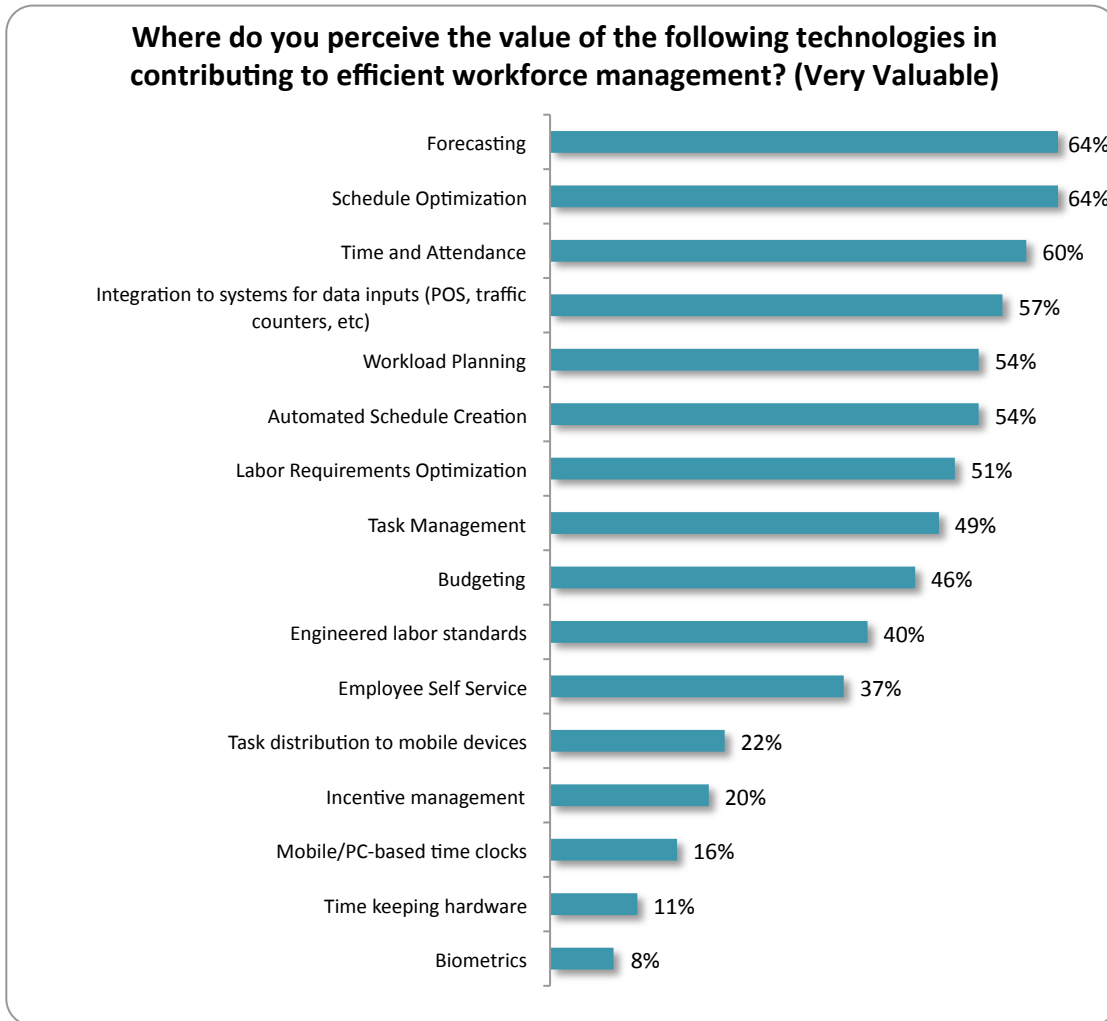
After "ease of use", we once again see a big divergence between the points of view of Winners vs. laggards. Although "configurability" is important to both, it is far more important to laggards. Taken together with some laggards' interest in "out of the box engineered labor standards" (2X the interest of Winners), we see that once again, laggards are emphasizing the "control" aspect – and many want the technology to tell them how to do it. Winners on the other hand, place a higher importance on "role based views and analytics"; these are employee empowerment capabilities, and reinforce those retailers' desire to engage employees in a more meaningful way.

SECTION V: TECHNOLOGY ENABLERS

TYING OPTIMIZATION TO THE BASICS

In terms of the most valuable technologies to survey respondents, an interesting mix of very sophisticated technologies like forecasting and schedule optimization sit side-by-side with things like time and attendance and integration of data inputs like POS and traffic counters (Figure 11).

Figure 11: Sophisticated Technologies Top the List



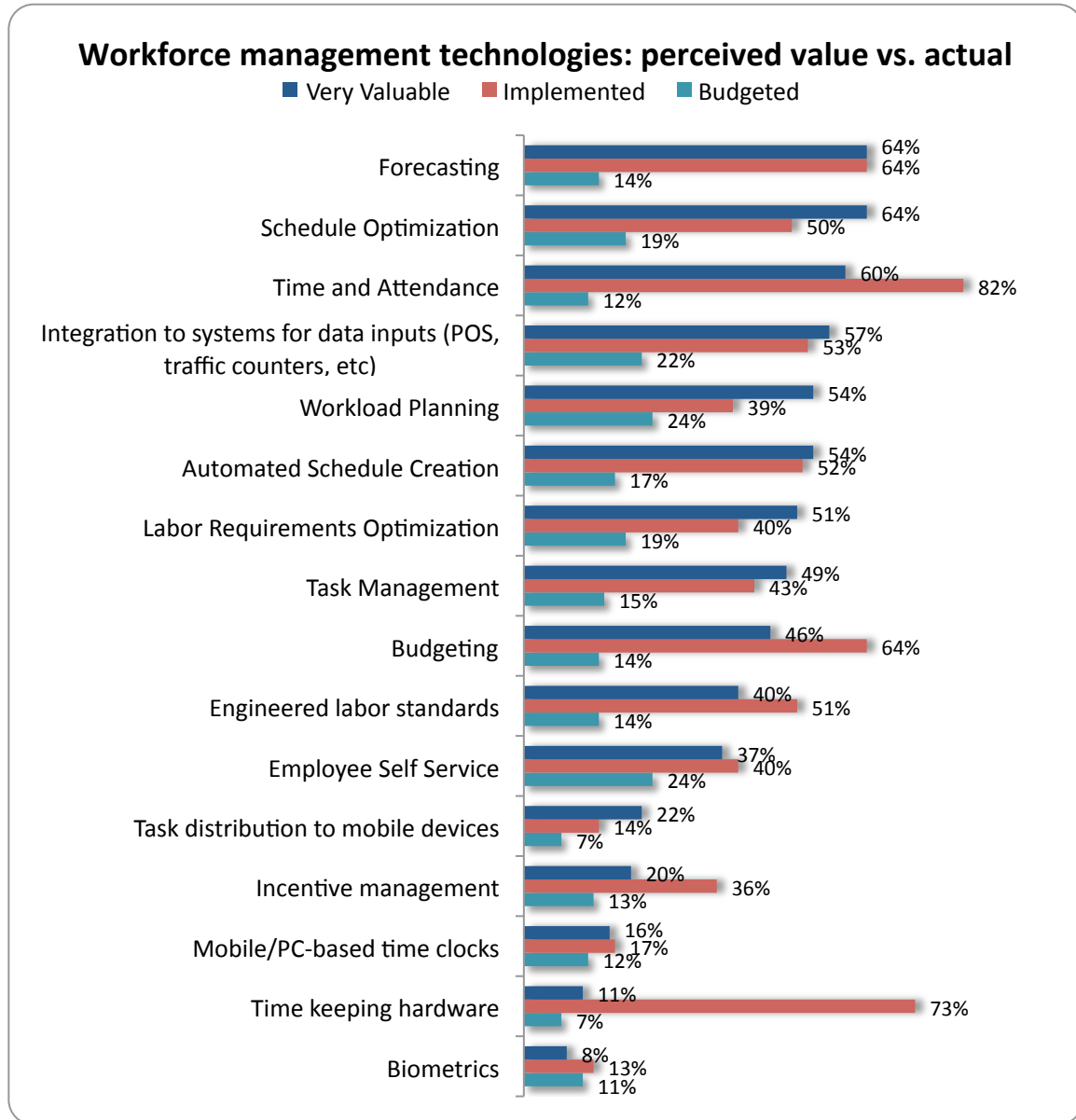
Source: RSR Research, March 2010

One interesting note - over the last three years, RSR has consistently seen task management rise in the ranks of valuable technologies, whether in the context of store systems, pricing, or merchandising and marketing execution. However, in this survey, it appears to have leveled off. In 2008, the last time RSR asked the question with regards to WFM, 46% of respondents rated task management as "very valuable" vs. 49% this year. However, with task management coming in higher on the list than things like budgeting and engineered labor standards, it is clear that it is now a fairly accepted piece of the WFM portfolio.

BETTING ON THE FUTURE

When comparing value vs. use vs. future plans, some significant gaps occur. In terms of overall adoption, survey respondents report that time and attendance, time-keeping hardware, budgeting, and forecasting are the most adopted technologies today (Figure 12).

Figure 12: Gaps Between Value and Plans



Source: RSR Research, March 2010

One enormous gap between value and use that quickly emerges is around time keeping hardware, where only 11% of respondents ascribe high value to the technology, while 73% report having time clocks implemented. However, with only 7% reporting adoption plans, the future for stand-alone hardware seems small.

Typically, when adoption outpaces the value that respondents see, it speaks more to the infrastructural nature of the investments, rather than to the absolute value. For example, time and attendance may not provide much value in itself, but when tied to other pieces of the WFM portfolio, it accelerates the value of those other pieces. With that infrastructure perspective in mind, it's not surprising that value vs. use is "reversed" (i.e., more respondents report *having* the technology than report *valuing* it) for things like time keeping hardware and engineered labor standards.

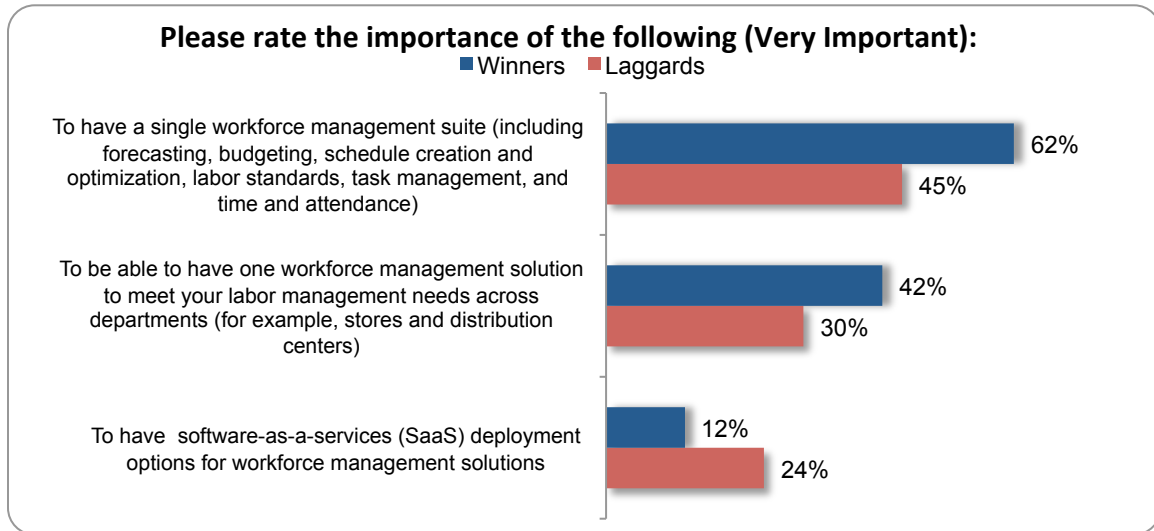
However, one gap that is surprising is the gap around budgeting. RSR would not typically consider WFM-related budgeting to be an infrastructural technology investment - in fact, the budgeting process and ensuring that well-conceived labor budgets are developed and communicated to stores can be very complicated, given all of the factors that might go into calculating a future budget, and all of the inputs that can drive breaking that budget down to a by-store by-day level. And anecdotally, retailers report that budgeting is a high-interest topic for them in their WFM portfolio. So this gap speaks more to an issue in the value that retailers are getting from their budgeting capabilities, rather than because retailers view budgeting as infrastructure. Given the relatively high interest in task management, there is the potential that **retailers' existing labor budgeting processes are not performing the way that retailers need them to** - without good visibility into non-selling labor requirements, it is very difficult to budget for them, and without the ability to set a budget, it is nearly impossible to manage and control.

SUITE DREAMS

When first considering the opportunities around workforce management, one area that emerged as a clear opportunity is the breadth of the portfolio of WFM capabilities and their supporting technologies. Task management, labor forecasting, and schedule optimization are all capabilities that are relatively "recent" additions to the WFM portfolio, and employee recruitment and on-boarding capabilities, along with new ways of delivering employee training and feedback may soon join the list.

However, in the past, when new capabilities come into their own, no matter the topic, retailers tend to view best of breed approaches as the best way to add the capability to their own portfolio. This is not the case with workforce management. Overall, a majority of respondents felt that having a single suite is very important, and a significant minority further agreed that it is very important to provide a single WFM capability across the different areas of the business that make use of hourly workers (Figure 13). However, it speaks to Retail Winners' technical discipline that even though they defined the WFM portfolio opportunity as narrower than their peers, they are more dedicated to the idea of a single suite across all functional areas. Also, while not many retailers indicated a strong interest in software-as-a-service (SaaS) solutions, it was not driven by dislike or lack of trust in these types of solutions. In fact, most respondents were neutral to the idea.

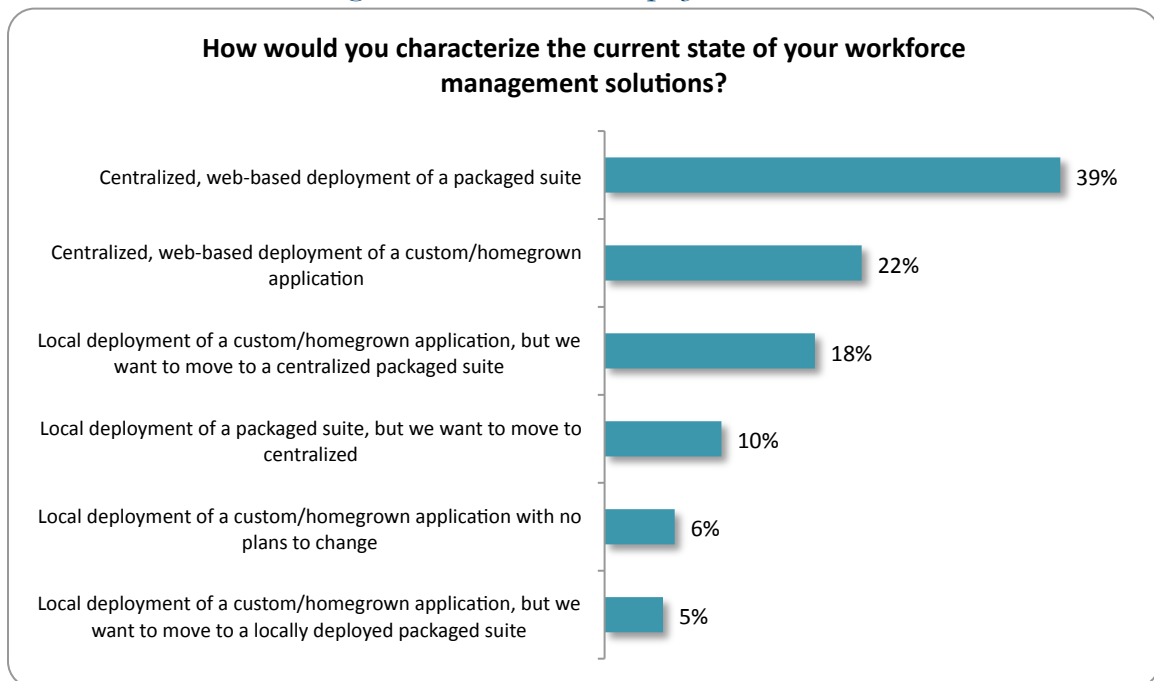
Figure 13: A Single, Integrated Suite of Solutions



Source: RSR Research, March 2010

However, the current state of application deployment today reveals that while there has been significant progress made in updated WFM solutions, retailers still have a long way to go (Figure 14).

Figure 14: Web-Based Deployments Win



Source: RSR Research, March 2010

While 61% of respondents report that they have a centralized deployment - critical to providing real-time updates against budgets or task distribution, for example - 40% of respondents also report relying on a

homegrown solution. However, 28% of respondents also report that they intend to move to a centralized package solution sometime in the future.

EMPLOYEE CENTRAL

Whether retailers are seeking more control over their labor, more control over their customer service processes, or more empowerment of their employees, one theme is common among all of our survey respondents: store managers can no longer do it alone. For what began as a job that most store managers abhorred, took forever, and was obsolete as soon as it began, workforce management tools have evolved to become so much more than the schedule - and retailers recognize it. While WFM can help retailers get a better handle on how their labor investments are being spent, the real opportunity for these tools is in helping retailers drive revenue. Winners are there, and are investing behind these ideas. As the economy improves, laggards may not be far behind them.

SECTION VI: BOOTSTRAP RECOMMENDATIONS

PEOPLE DRIVE REVENUE

Retail is fundamentally a relationship business, and Winners understand the relationship between getting the right people for the right job, and customer satisfaction. Winners value task management but more as an empowerment tool for good employees while Laggards definitely are most interested in control. While WFM can help retailers get a better handle on how their labor investments are being spent, the real opportunity for these tools is in helping retailers drive revenue. Winners are there, and are investing behind these ideas.

BEWARE THE CHANGE MONSTER

Any change in the way workers work is an enormous management undertaking, especially when potentially so many personnel are involved. These challenges are far beyond what a typical technology implementation usually requires, and a plan to adequately address them is frequently under-estimated. ***The basic question that retailer's must answer in order to get the full value from an integrated WFM implementation is from the hourly employee: "What's in it for me?"***

THE TECHNOLOGY DOES MATTER

The chosen technology solution must be easier to use than to avoid. Retailers would rather spend their money training their employees about the processes that are being implemented, not the technology that makes them "go". Given the reach of WFM solutions over the broadest number of employees, interfaces must be easy and intuitive, and conform closely to commonly adopted interfaces such as a common browser. Winners cite "role based views and analytics" as important capabilities in considering a WFM solution. These are employee empowerment capabilities, since they enable customized views of information based on an employee's role in the organization. Such capabilities enable engage employees in a more meaningful way.

WFM technologies today consist of a broad set of capabilities. While that time and attendance, time-keeping hardware, budgeting, and forecasting may be the most adopted technologies today, decision makers need to consider not only today's needs, but tomorrow's as well. Task management, labor forecasting, and schedule optimization are all capabilities that are relatively "recent" additions to the WFM portfolio, and employee recruitment and on-boarding capabilities, along with new ways of delivering employee training and feedback will become important. The ability to have an integrated view of all the capabilities in the WFM portfolio is important.

ONE SIZE SHOULD FIT ALL

Although nearly all retailers report that they use hourly scheduled labor in the stores, it certainly isn't the only operational arena where retailers are challenged to efficiently manage their labor spend. But that doesn't mean that different WFM solutions should be applied to different areas of the business. A majority of this study's survey respondents felt that having a single suite is very important, and a significant minority further agreed that it is very important to provide a single WFM capability across the different areas of the business that make use of hourly workers. For that to be a reasonable criteria for picking a solution, it should be because the chosen solution is capable of supporting varied operational models and not because the retailer is trying to force-fit different operations into the same model. When

considering workforce management practices and technologies to help retailers manage different types of workforces, consideration must be given to the variability of the tasks and schedule as well as the relative technical sophistication of the workers who would use the technology.

STORE MANAGERS (CAN) NO LONGER DO IT ALONE

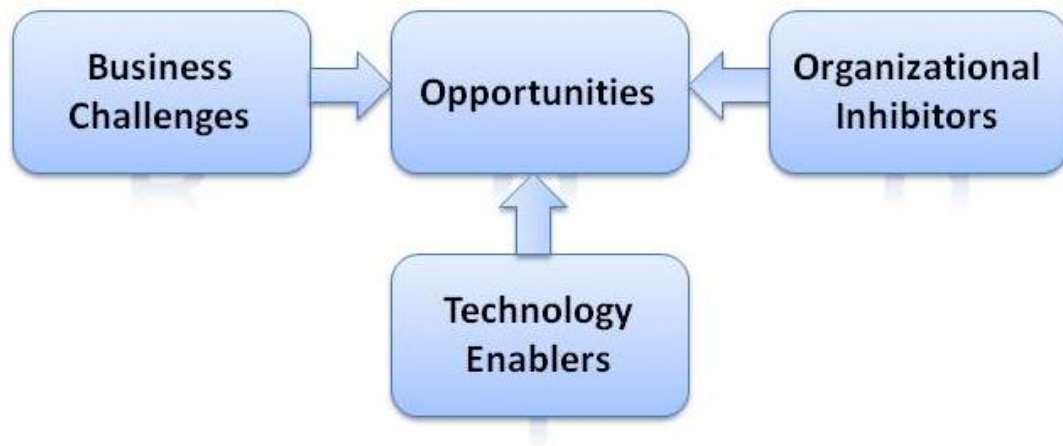
For what began as a job that most store managers abhorred, took forever, and was obsolete as soon as it began, workforce management tools have evolved to become so much more than the schedule - and retailers recognize it. Workforce management has expanded well beyond simple time and attendance, to include scheduling, forecasting, and budgeting, and increasingly task management, workload planning, and engineered labor standards. The complex relationship between these capabilities underlines the reality that retail itself is a complex collection of people, products, and services that work together to address consumer needs. This is another reason why an enterprise-wide WFM solution has become so important – tasks undertaken to service the needs of customers no longer are confined to what happens in the store.

APPENDIX A: THE BOOT METHODOLOGY

The “BOOT” methodology is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between winners and “also-rans”**. Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors it can use technology as an enabler to take advantage of the opportunities it identifies. Retail winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT follows:



APPENDIX B: ABOUT OUR SPONSOR



RedPrairie delivers productivity solutions to help companies around the world in three categories—inventory, transportation and workforce. RedPrairie provides these solutions to manufacturers, distributors and retailers looking to reduce cost, increase sales and create competitive advantage.

With over 20 global offices providing services to over 40,000 sites in 50 countries, companies trust RedPrairie inventory, transportation and workforce solutions to deliver an immediate increase in productivity— with the flexibility to adapt as business needs change.

At RedPrairie, we understand today's operational demands and we're committed to delivering solutions that work. We're committed to delivering solutions for the real world™.

For additional information, call 1.877.733.7724, or visit [RedPrairie.com](https://www.RedPrairie.com).

APPENDIX C: ABOUT RSR



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, and thought leadership and advice on navigating these challenges for specific companies and the industry at large. RSR’s services include benchmark reports covering the state of retailer technology adoption for topics ranging from merchandising and supply chain, store operations and workforce management, to customer-facing and multi-channel technologies. Custom research reports provide more in-depth views into topics of industry interest, and advisory services help retailers and technology vendors make the most of the insights RSR provides. To learn more about RSR, visit www.rsrresearch.com.

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