Workforce Management
The Key to Retail Customer Service

November 2012
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Workforce Management: The Key to Retail Customer Service

As a lingering recession continues to take its toll on the retail industry, companies are focusing on consumer-centric strategies to enhance customer engagement. One critical enabler of this customer-focused strategy is the integration of digital solutions, a move that allows retailers to stay on the cutting edge and meet consumer expectations.

Just as with customer-facing technology, organizations must remain at the vanguard of workforce management (WFM) as well. Too often, retailers rely on static, legacy-based workforce management systems, which results in increased labor costs, lower employee productivity, and accompanying decreases in customer retention. In fact, organizations that use more open, centralized systems have customer retention rates that are six times greater than retailers that use legacy systems, according to Aberdeen’s August 2011 Next Generation Retail Store-Level Workforce Management Strategies: It’s All About the Customer benchmark report.

In order to maintain customer intimacy, as well as improve employee productivity, retailers need to transition to more open, integrated, and mobile solutions that will allow retailers to optimize their workforce-management initiatives, and also create engaging and valuable customer experiences.

Based on data collected between August and October 2012, Aberdeen surveyed 91 retailers to assess the factors that are shaping enterprises’ WFM decisions and how new solutions are streamlining workforce operations and improving customer relationships.

Demographics

- 91 Retailers (For this report we conducted an analysis using two distinct datasets: 30 respondents in 2012 and 91 respondents in 2011)
- Job title: Senior Management (21%); EVP / SVP / VP (7%); Director (21%); Manager (29%); Staff (14%); Other (8%)
- Geography: North America (50%); APAC region (21%) and EMEA (29%)
- Company size: Large (annual revenues above US $1 billion)- 21%; midsize (annual revenues between $50 million and $1 billion)-50%; and small (annual revenues of $50 million or less)- 29%

Pressures

Retailers continue to feel the fallout of a fragile economy, especially as it impacts consumer buying patterns, demand levels, and expectations. Shoppers rely on digital means to streamline their shopping trips, which forces retailers to use similar tools at store-level to improve the shopping experience. They know it is critical that all eyes remain focused on the customer, and it is imperative to align store-level staff to deliver the best shopping experience possible. This has become a common theme across domestic and international retail companies.

For example, 38% of North American companies reported that customer satisfaction is one of their most valuable metrics when measuring effectiveness of WFM initiatives. Meanwhile, this is a priority for 46% of European companies.

“In order to improve our store performance, we are planning schedules that are better matched retail sales and backroom stock balance.”

~ Vice President, Large Specialty North American Retail Company
However, 65% of domestic retailers struggle with how to allocate staff based on their ever-changing demands and expectations. Another 52% of international companies also feel this pressure, especially as consumers grow increasingly reliant on digital technology like mobile solutions that allow them to comparison shop right in store aisles.

As they face higher customer expectations, especially from those entering stores with personal mobile devices and access to prices, inventory, and customer reviews, retailers are striving to align their workforce to meet the needs of their store-level shoppers, especially when it comes to helping them make a purchase decision. They are quickly learning that placing random associates on the front lines to interact with store-level shoppers is not enough, but positioning the most knowledgeable team members is. Despite this knowledge, 65% complain they still fall short, stressing their need to improve overall workforce productivity through better labor management.

Other issues changing the game for retailers regarding the effectiveness of their WFM operations include the pressures caused by regulatory requirements that force organizations to ensure compliance with data security and tighter labor laws (24%). Meanwhile, another 24% of retailers feel pressure from cultural and generational changes among their workforces.

Add in the pressure of their continued support for rigid, manual systems versus more automated technology and it becomes even more evident why retailers find it difficult to meet shopper expectations, as well as those of their employees and candidates. Further, their cost of doing business continues to skyrocket compared to companies using open, automated solutions. Retailers that rely on open, centralized systems reported that their labor costs related to sales are 7.8% versus 18.3% incurred by companies still relying on legacy systems, according to Aberdeen’s August 2011 benchmark report, Next Generation Retail Store-Level Workforce Management Strategies: It’s All About the Customer.

Unless these legacy retailers make a complete transition to open WFM systems, they will remain behind the proverbial eight-ball. For example, 59% complain they cannot rectify insufficient workforce rates, and 53% of managers are spending too much time producing schedules (Figure 1).

“Our store staff requires more robust metrics to reflect customer satisfaction, package handling, and stock moving activities in each location. The most current metrics focus on sales and units processed through the tills versus other customer-related and labor costs at work within the store environment.”

~ Director at a Mid-size European Health Retail company
Another 47% of retailers feel they have an insufficient workforce to meet their business needs. Whether this is from a skill set perspective or amount of resources (which 41% of companies blame on high levels of turnover), retailers feel they are at a disadvantage to best service shoppers.

These factors push retailers to rethink their WFM strategies, especially when it comes how to best serve shoppers during this fragile economic landscape where customer loyalty can make or break a company.

**Using Strategic Actions to Align the Workforce**

Retailers are making significant efforts to create better customer engagement and top-notch customer service to stand out from their competition. The top priority: using a skillful, knowledgeable store-level team as their core asset. This pushes retailers to set aside trepidation and realign WFM strategies to achieve this goal.

The top strategic action is to align employee schedules based on workload, business demand, and customer preferences (53%). There is a similar story across the pond, as 46% of international companies strive to place the right person at the right place and time, ready to serve the shopper when they enter the store. For this to become a reality, at least across North American companies, 41% of retailers understand the importance of adding solutions that can capture more detailed labor data (Figure 2).
Eager to begin aligning schedules and skill sets to meet the needs of its customer base, 29% of retailers are adopting more automated processes, especially those that can standardize workforce management processes across the enterprise (35%). Automation is a priority for a growing number of companies, especially since they are eager for more store-level efficiencies.

For example, 65% of retailers reported that legacy WFM systems were a main factor causing inefficient utilization of labor, according to Aberdeen's August 2011 report, *Next Generation Retail Store-Level Workforce Management Strategies: It's All About the Customer*. By integrating automated solutions into their workflow processes, Aberdeen's new data reveals that 29% of retailers plan to improve scheduling manager visibility into scheduling needs by applying analytical tools to their WFM processes.

While it is easier to manage schedules for centrally located companies that have staff in one location, the above strategic actions will play a positive role in aligning efforts of broader companies dispersed across the country (33%), as well as those working on a global level (27%). With more insight into consumer demand and peak business hours and needs, retailers are in a stronger position to deliver a high level of customer service when shoppers need it most. With a more centralized WFM operation, retailers can maintain a more unified view of the company, one that will plan for their customer-centric initiatives. In fact, 45% of Best-in-Class retailers began following this strategy more than two years ago in hopes of reducing

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~ Vice President, Large Specialty North American Retail Company
operating costs, automating back office operations, and preparing staffing levels for innovative programs, including today’s mission critical customer-centric practices, according to Aberdeen’s July 2010 report, Enterprise Workforce Management for Retailers: Enhanced Customer and Operational Productivity.

If retailers are serious about putting the customer first, their top strategic actions must require a clear picture of what their labor and associated skills really look like, as well as aligning their top talent to meet the needs of their shoppers. That requires automated solutions integrated with analytics to help streamline their WFM processes.

The Role of Knowledge Management Capabilities

With a game plan in place, retailers are also doing due diligence when choosing the best WFM solution. This requires evaluating exactly what functionality they will need to produce effective schedules designed to meet the productivity needs of their team, as well as deliver a unique shopping experience to their customers. For many, the key to success are integrated WFM solutions that can streamline processes.

While efforts are currently lagging, interest in integration is gaining momentum industry-wide. The key to any integration project is merging solutions onto the corporate enterprise resource planning (ERP) infrastructure. Fifteen percent (15%) of retailers have currently integrated their workforce management data within their ERP solution, but another 62% of companies plan to make this a priority within 24 months (Table 1).

Similarly, 38% of retailers have made it a priority to integrate time and attendance systems with scheduling technology, with 50% of retailers planning to integrate these solutions within 24 months. Integration is also improving hiring and onboarding efforts, as 8% of retailers already integrate workforce management and talent management data, including learning, performance, and recruiting information, while 46% plan to follow suit within two years.

If retailers want to effectively leverage workforce information, the key is to have all data centralized in one location for easy accessibility. As a result, 36% of retailers maintain and update all workforce management data (scheduling, time and attendance, etc.) into a centralized repository, and another 50% plan to do so within 24 months.

With access to centralized data, retailers have a clear vision into what their workforce and specific skill sets, hour preferences, and other personal details look like. While only 14% of retailers currently integrate their workforce management data with business performance information, 71% are moving this direction in hopes of aligning the best staff to meet demand. Similarly, while only 8% of retailers integrate their talent management and WFM data, 46% of companies will be merging this information to get a better understanding of their company’s training and onboarding skills in an
effort to cultivate the knowledgeable team necessary to support a valuable shopping experience.

**Table 1: Knowledge Management Capabilities**

<table>
<thead>
<tr>
<th>Data Summary</th>
<th>Current</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce management software (time and attendance / scheduling) is integrated with payroll or other core HR systems</td>
<td>43%</td>
<td>50%</td>
</tr>
<tr>
<td>Central repository is maintained and updated with all workforce management data (scheduling, time and attendance, etc.)</td>
<td>36%</td>
<td>50%</td>
</tr>
<tr>
<td>Time and attendance system is integrated with scheduling system</td>
<td>38%</td>
<td>46%</td>
</tr>
<tr>
<td>Workforce management data is integrated with business performance data</td>
<td>14%</td>
<td>71%</td>
</tr>
<tr>
<td>Workforce management data is integrated with talent management data (learning, performance, recruiting, etc.)</td>
<td>8%</td>
<td>46%</td>
</tr>
<tr>
<td>Workforce management data is integrated with Enterprise Resource Planning (ERP) solution</td>
<td>15%</td>
<td>62%</td>
</tr>
<tr>
<td>Individual and team deployment data (output, productivity, performance, etc.) is taken into account when creating schedules</td>
<td>14%</td>
<td>71%</td>
</tr>
</tbody>
</table>

*Source: Aberdeen Group, October 2012*

Keeping integration top of mind, retailers are on track to automate their WFM strategies. These integrated systems give retailers the ability to streamline WFM processes, get a clear vision of their labor needs and allocations, and allows them to schedule the best customer facing employees when they need them most on the sales floor.

**Case in Point: Aztec Shops**

When Aztec Shops, the parent company overseeing San Diego State University's campus bookstores and dining operations, recently chose to upgrade its workforce management solutions, the company decided it needed next-generation automation. For Aztec, that meant taking its WFM operation to the cloud.

Aware of the cloud's hallmark benefits, such as speed to market, deployment agility, and scalability, Aztec decided to make its move to a virtual computing platform. Further, as retailers slowly get their feet wet with the technology, many are relying on cloud computing to support non-mission critical processes that do not directly impact sales performance, such as loyalty programs, inventory management, and even returns management. WFM also squarely falls into this category.
Aztec plans to perform all configuration, maintenance, upgrades, and support of its WFM virtually, a process that will enable its IT department to focus resources on other priorities, as well as save the group capital, resources, and time. “By moving to the cloud, we have been able to take on more strategic projects, as well as improve the speed of the WFM applications, which further engages the modern workforce,” says Leah Messenger, payroll manager, Aztec Shops.

Looking ahead, the company expects the cloud computing platform to help it further control labor costs, minimize compliance risk, and improve workforce productivity.

**Technology Enablers**

Once retailers have their expectations in place, it is time to use technology enablers to make these capabilities a reality. Realizing an integrated strategy is paramount for a successful enterprise WFM process, 36% of retailers are integrating WFM ERP solutions, and another 28% of retailers will follow suit within two years.

Automation is also a top priority. That’s why 50% of retailers are working to automate their time and attendance solution, ensuring they can manage performance and compliance of their team (Table 2). Another 43% of retailers plan to implement this solution over the next 48 months.

As retailers continue their quest to become a retailer of choice in a competitive marketplace, companies are eager to keep their workforces knowledgeable and a competitive asset in the saturated marketplace. As a result, computer-based training is more important than ever. And as more companies make the move to more customer-facing technologies at store-level, it is easier than ever before to conduct online learning during off-peak hours. Currently, 36% of retailers integrate learning management systems (LMS) within their enterprises, but keeping a keen eye on the customer experience, and another 43% are adding LMS tools over the next two years.

With the proper skills in place, retailers are leaving nothing to chance and using analytics to monitor the performance of both their staff and their impact on the store-level experience. Seventy-one percent (71%) of retailers are integrating WFM data with business performance data (as stated above and in Table 1), which means that business intelligence will play a much stronger role in WFM decisions going forward. While only 8% of retailers currently use labor analytics and related BI tools to uncover gaps in skills, proficiencies, and employee knowledge sets, 54% of companies plan to add analytics in the next 48 months.
Table 2: Technology Enablers

<table>
<thead>
<tr>
<th>Data Summary</th>
<th>Current</th>
<th>Planned</th>
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<tbody>
<tr>
<td>Automated time and attendance tracking solution</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>Automated scheduling solution</td>
<td>21%</td>
<td>57%</td>
</tr>
<tr>
<td>Learning Management System (LMS)</td>
<td>36%</td>
<td>43%</td>
</tr>
<tr>
<td>Performance management software</td>
<td>29%</td>
<td>57%</td>
</tr>
<tr>
<td>Competency management software tools</td>
<td>7%</td>
<td>50%</td>
</tr>
<tr>
<td>Labor analytics / business intelligence tools to determine gaps in skills,</td>
<td>8%</td>
<td>54%</td>
</tr>
<tr>
<td>proficiencies, or knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Resource Planning (ERP) software solution</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>Fatigue management tools that provide visibility into whether an employee is</td>
<td>29%</td>
<td>7%</td>
</tr>
<tr>
<td>over-worked or under-rested</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absence management software (paid-time off, earned time, compliance mandated</td>
<td>29%</td>
<td>43%</td>
</tr>
<tr>
<td>leave, or other)</td>
<td></td>
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Source: Aberdeen Group, October 2012

Once the skills are in place, it is critical to ensure that employees are retaining and even sharpening these skills. As a result, 7% are raising the bar with competency management software tools. Realizing that cultivating a knowledgeable team will be the key to forging customer relationships, 50% of retailers plan to add this technology in the next two years. This is a bold move when you consider that almost two years ago 84% of retailers did not have consistent training benchmarks enterprise-wide, according to Aberdeen’s April 2011 report, Workforce Training and Development: Customer-Centric Productivity for Retailers. Without the proper benchmarks and guidelines in place, or analytics to measure progress, there is no way to measure same-store performance comparisons, establish best practices, or hold individual stores accountable for performance.

Analytics also can help retailers understand how efficient or detrimental schedules are not only to the customer experience, but to the well-being of the staff. Twenty-nine percent (29%) of companies are currently leveraging fatigue management tools to gain visibility into whether their customer-facing employees are over-worked or under-rested, yet only 7% of retailers plan to add this to their operations in the next two years.

By integrating WFM tools within ERP systems, automation opens up new doors for retailers and reshapes their WFM strategy going forward. Besides having a single view of the employee-base, their skill sets, and preferences, it streamlines all scheduling and compliance processes. By adding analytics to the mix, retailers are on their way to aligning the best team needed to engage shoppers at critical points during the shopping trip.
Case in Point: Casual Male Retailing Group

If any retailer understands the value of staying in tune with its shoppers’ needs, it is Casual Male Retailing Group. Serving a shopping base that consists of consumers who want an easy shopping experience when finding apparel in hard-to-find sizes in styles "that fit his lifestyle and fashion needs," says Dennis Hernreich, CMRG’s COO and CFO, the company knew how important it is to schedule a customer-facing team that can deliver a valuable shopping experience.

However, with a keen eye on payroll and compliance, CMRG needed an automated WFM solution that allowed it to align its schedules with payroll allocations. As a result, the retailer began applying analytics to its WFM processes to ensure it could plan schedules based on shopper demands, but still adhere to payroll parameters.

"We analyze each store’s hourly traffic and average visitor time, then assign payroll hours to each store," he explains. "By using this analysis, and applying it to store personnel issues, hourly visits, and tendered transactions, CMRG can adjust scheduling to adhere to shopper demands on a store-by-store basis."

CMRG has been using this analytics approach within its WFM operation for three years, and it allows the company to meet business trends, and still maintain a high level of store-level customer service.

The Mobile Workforce

As customer engagement becomes a priority for retailers moving forward, more companies are moving toward a mobile workforce to deliver a higher level of customer service. As a result, savvy retailers (more specifically, 41% of respondents), are getting a bigger return on their mobile investment by deploying more WFM tools on the devices.

To date, all retailers (100%) reported that they use SMS messaging to communicate scheduling information to employees, however mobile WFM apps are beginning to find their place in retail. Currently, 75% of retailers supply smart phone apps for employee self-service, and 50% of companies offer similar apps for tablet computers.

Once they are connected via a mobile platform, employees have the freedom to manage schedules and communicate needs with direct managers. All respondents reported they give associates mobile access to view their schedules, meanwhile 67% of companies allow employees to use mobile devices to view timesheets; available shifts; paid time off, holiday and sick leave, as well as bid on or swap shifts, respectively. Another 33% of companies allow their employees to view their pay stubs through mobile devices.

Similarly, managers are finding their own value as they streamline WFM tasks through mobile devices. Currently, 100% of companies modify and update employee timesheets through mobile devices, while 67% of managers
view and approve employee timesheets; view, modify, and approve schedules, and approve time-off requests through their mobile devices.

This movement shows that retailers are ready to take both the employee and manager out of the back room, give them the tools they need to manage their scheduling needs, and still maintain service levels with shoppers, especially during peak business hours. The result is a more streamlined mobile staff that is ready to engage shoppers on the sales floor.

**Key Takeaways**

As retailers up the ante at store-level to improve customer engagement, they are learning that a key pre-requisite is positioning a united front of insightful customer-facing employees. That can only become a reality if retailers reposition their WFM efforts toward integrated solutions that merge employee data with business performance information. In fact, these efforts are a must for any company that wants to survive in the highly competitive retailing landscape. By taking the following steps, retailers can streamline these WFM processes and staffing decisions:

- **Understand the correlation between business demand and employee skill sets.** In their journey toward top-notch customer service to stand out from their competition, aligning employee schedules based on workload, business demand, and customer preferences is a must. As a result, retailers must begin capturing more detailed labor data, which is essential in scheduling the most knowledgeable associates during key business hours.

- **Make the transition away from manual processes to automated systems.** Whether striving toward more standardized workforce management processes across the enterprise, or improving scheduling managers’ visibility into scheduling needs, spreadsheets just cannot provide the level of detail needed to successfully accomplish these tasks. Currently, 29% of retailers are automating solutions within their workflow processes, giving them the edge to make stronger business decisions when creating schedules in correlation to delivering better store-level customer service.

- **Integrate WFM tools with ERP systems.** By integrating WFM tools within enterprise platforms, automation is kicked up a notch. With all customers, business performance, and employee data centralized in one location, retailers’ WFM strategies can be tightly aligned with business needs. There is now a single view of the employee-base, as well as customer preferences, buying behavior, and overall sales performance — all of the details needed when retailers consider adding new customer-facing solutions to jump-start engagement strategies. By having employee skill sets and customer preferences at their fingertips, retailers can streamline all scheduling to strive toward more engaging interactions between sales staff and shoppers.
• **Add analytics to bolster WFM processes.** With a desire to ensure we have the correct workforce, even specific staffers in place when we need them on hand when the most valuable shoppers come in, analytics must become a mission-critical tool in their toolbox. The good news is retailers are receiving the message, and while only 8% use labor analytics to determine gaps in skills, proficiencies, or knowledge, more than half of all respondents will be adding this going forward. Further, 42% of companies plan to use reporting dashboards that can combine revenue, shrinkage, and other operational data with attendance. It is this real-time insight that will allow managers to predict the number and type of employees needed to meet anticipated demand.

• **Make the move to mobile.** Retailers are empowering employees and managers alike with mobile apps that allow them to manage schedules, view time off requests, even approve timesheets and payroll. The result is a more engaged workforce that is untethered from desktops, and does their job: engage with shoppers and deliver value during the shopping experience.

By focusing on this formula of automated WFM technology seamlessly integrated with ERP solutions and BI tools, they will have access to business demand and other operational information that was never before accessible. With this information available in real-time, retailers are in a better position to deliver valuable shopping experiences, drive loyalty and overall revenue during these tough times.

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