

# Workforce Management: “scheduling to the opportunity”

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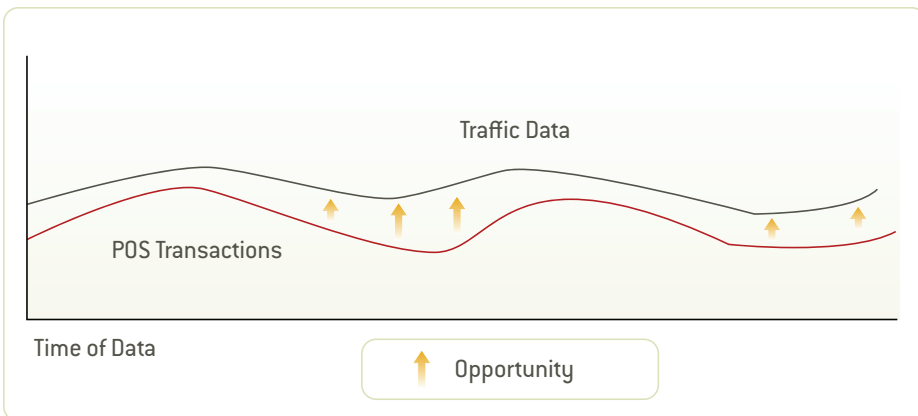
# Introduction

In the face of shrinking margins, increasing customer expectations, tough economic conditions and stiff competition, today's retailers continue to search for a significant competitive advantage. Given that a retailer's greatest asset, and largest controllable expense is its workforce, retailers that implement a solution that gives real-time visibility into labor practices and generates optimized schedules will help redeploy labor costs, improve comparable store sales and enhance customer service levels.

To optimize their schedules leading retailers typically rely on historical sales data. However, advancements enable retailers to use specific retail data to improve conversion rates—a store's number of retail transactions during a certain time period compared to its traffic. These advancements incorporate the previously ignored, but highly valuable, forecasting prediction of consumer traffic and build on the way retailers view workforce optimization overall.

By combining consumer traffic data with sophisticated workforce management tools, retailers can create schedules based not only on historical sales data—what has been—but on potential sales as indicated by customer flow—what could be. This concept—called “scheduling to the opportunity”—is an approach that focuses not on past business performance, but rather on the potential a retailer can achieve. The purpose of this paper is to examine “scheduling to the opportunity” in more depth and demonstrate how leading retailers make this concept work.

Figure 1: Potential Sales Opportunity



# Scheduling to the opportunity: Workforce Management and its impact on driving sales

## Retail Challenges

Today, many retailers use manual, disconnected systems to manage their workforce. Without an integrated workforce management framework, retailers face inherent competitive disadvantages such as poor customer service. By leaving scheduling to individual store managers, retailers significantly reduce the time store managers spend on the floor servicing customers and responding to other critical tasks. But poor customer service isn't the only impact. Retailers with manual systems also experience inflated labor costs from inaccurate payroll and enjoy little transparency into labor spend. To overcome these challenges, retailers have leveraged workforce management solutions to optimize the deployment of their people.

## Changing Face of Workforce Optimization

Yet, the way retailers view workforce optimization is shifting. Leading retailers who implement workforce management solutions today not only redeploy or reduce labor costs as a percentage of sales, they also focus on improving customer service and increasing comparable store sales. Retailers know that today's consumers are increasingly sensitive to the level of service they receive and are quick to react to a poorly maintained store environment, lengthy check-out lines or understaffed store floors. Because leading workforce management solutions have measurably increased comparable store sales, retailers are beginning to focus on the top-line benefits of optimization to drive bottom-line improvements.

If optimized schedules based on historical point-of-sale (POS) data can measurably impact comparable store sales, then incorporating store traffic—the store's potential sales—into schedules is the next wave of workforce optimization. Customer traffic data represents one of the last, largely untapped, reserves of information that can help retailers further improve their workforce deployment. The following sections discuss the shifting perspectives of retailers as they address an increasingly competitive environment and the steps they need to take to maintain their competitive advantage with sophisticated workforce management tools.

### First Step: Shifting from Manual to Automated Processes

Many retailers are burdened with managing their workforces through disconnected, antiquated processes, including the use of spreadsheets or whiteboards for scheduling and manual sign-in sheets for attendance control. According to recent surveys, retailers are convinced of the benefits of a workforce management system, however many have not yet adopted an automated system. A survey of retail executives showed 62.8 percent of respondents use inefficient workforce management practices in the form of semi-automated or manual processes for their scheduling requirements. Many retailers are now investigating workforce management solutions that provide a workforce management framework starting with the automation of time and attendance and streamlining of employee communications.

The transformation from manual to automated processes offers numerous benefits including effective enforcement of pay and work rules, reduced costs, improved communications, and compliance with labor laws. All of these benefits strengthen a retailer's ability to thrive in a competitive industry by lowering their costs and improving productivity. This is the foundational element of effective workforce management.

### Next Step: Shifting Focus from Reducing Costs to Improving Sales

Retailers further along the workforce optimization continuum increasingly focus on the revenue side of the equation. These retailers are committed to technologies that not only reduce overstaffing by matching labor with demand, but also eliminate understaffing to ensure optimal store sales are achieved. The optimal balance of employees to customer demand requires a forecasting and scheduling solution that incorporates POS data and traffic counts.

Retailers that directly tie a total workforce management solution with POS and traffic count data, arm themselves with the tools needed to offer superior customer service to their customers – a key driver of sales.

Figure 2: Example - The Effect of Increased Conversion Rates on Total Sales

	Before	After
Daily Traffic	500 Customers	500 Customers
Conversion Rate	30% (150 transactions)	31% (155 transactions)
Average Sale	\$30	\$30
Total Sales	\$4,500	\$4,650

An additional \$150 in daily sales is achieved with a 1 percent conversion improvement rate.

200 Stores x \$150 x 350 days = \$10,500,000/year - COGS 70% & SG&A 20%

**That's \$1,050,000 of additional profit**

### Future Steps: Linking Traffic to Optimized Schedules

Traditionally, traffic monitoring has been essential for the cost-effective management and evaluation of:

- Conversion rates
- Advertising and promotional programs
- Prime selling hours/Power hours
- Visual merchandising strategies
- Future opportunities or challenges
- New store concepts
- Store location analysis
- Merchandise assortment and stock levels

An increasing number of retailers are beginning to explore the benefits of using traffic measurement data—real-time traffic intelligence—as one of the key drivers for sophisticated labor forecasting and optimized schedules. Schedules are created not just for anticipated revenue based on historical data, but also for anticipated shopper traffic. This represents a significant shift from common scheduling processes that miss the incoming traffic opportunity by just focusing on back-end results.

Sophisticated retailers—those with a “traffic-counting philosophy”—recognize that every shopper, whether they have made a purchase or not, is an opportunity. As retailers begin to track and benchmark conversion rates on a store-by-store basis, they can see patterns, highlight and share successes, provide training where needed and develop action plans to achieve higher rates across all stores.

Traffic data is highly actionable information—unlike transactional data, that only tells a retailer what happened after a shopper made up his/her mind. Traffic-counting tools are easy to use and the data provided helps executives make the most informed labor decisions for their company. When traffic is used as a key input to an industry-focused schedule optimization solution, retailers can further refine optimized schedules ensuring the right people, with the right skills, are in the right place providing service at the right time at the most optimal cost. The effect can transform a retailer's business performance.

#### Figure 3: Retail Client Example

Recently, two of Infor's (formerly Workbrain) leading retailers launched programs with one objective—understanding how “scheduling to the opportunity,” using consumer traffic levels, can improve conversion rates.

1. First, baseline measurements of conversions on ‘typical’ days were created.
2. Next, traffic data was added as a driver for the scheduling software.

In addition to providing insight into the flow of store traffic, results on conversion rates proved to be very positive, reporting improvements in the 1-2 percent range.

## Conclusion – Benefits of scheduling to the opportunity

Retail experts agree that the true indicator of a store's potential is accurate traffic data—quantifying the store's incoming sales opportunity. Using sophisticated tools to schedule to that opportunity represents a quantum leap for retailers looking to further sharpen their competitive edge. Because true performance improvement opportunities occur before shoppers ever reach the cash register, retailers must schedule to that shopper traffic to achieve their true sales potential.

By combining this highly valuable traffic data with a robust workforce scheduling solution, retailers can realize significant benefits including:

### **Increase revenue**

- Improve comparable store sales by optimally deploying to meet incoming opportunity
- Increase sales by focusing manager and associate attention on conversion rates

### **Improve customer service**

- Match employee skills, qualifications and preferences to scheduling needs to optimize labor deployment
- Decrease time spent building schedules, allowing managers to focus on higher payoff activities
- Accurately forecast the needs for labor to prevent understaffing and meet customer service requirements

### **Reduce / Redeploy costs**

- Generate accurate employee schedules to reduce the costs associated with over- and under-staffing
- Reduce call-in premium pay and overtime associated with inefficient scheduling
- Reduce administration costs associated with manual scheduling processes

Research and real-world studies demonstrate that combining sales data and traffic patterns with a comprehensive scheduling solution provides retailers with the one-two punch needed to create the most effective schedules and achieve the highest possible conversion rates. Moreover, retailers that implement solutions to “schedule to the opportunity” are arming themselves with tools to make better business decisions and, ultimately, gain a significant competitive edge.

## About Infor

Infor delivers business-specific software to enterprising organizations. With experience built in, Infor's solutions enable businesses of all sizes to be more enterprising and adapt to the rapid changes of a global marketplace. With more than 70,000 customers, Infor is changing what businesses expect from an enterprise software provider. For additional information, visit [www.infor.com](http://www.infor.com).

For more information relating to Infor's workforce management solutions please go to: [www.infor.com/solutions/hcm/workforce-management/](http://www.infor.com/solutions/hcm/workforce-management/)

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