



Labor Management Is More Than Scheduling

Payroll, the single largest operating expense in retailing, can be controlled while positively impacting customer service. Many food retailers utilize a top-down approach to reducing labor expense that is not based on productivity metrics, and frequently lacking sound rationale. This narrow perspective compromises customer service and ultimately means lower profits.

Accurate labor management requires realistic labor standards, forecasts and the use of basic technology (at least Excel) to determine “required hours”. This process can seem imposing to some, but it can be accomplished without costly software. It's about appropriately allocating proper labor resources to your store. While scheduling is a vital element of labor management, retailers must remember that it's just one of the elements.

Why pursue labor management? Simple **TO MAKE MORE PROFIT!** Proper labor management is not employed to fire or make employees work harder. Instead, it is employed to permit the optimal number of employees doing required store tasks in the most productive manner (employing Best Practices) that equates to fewer hours needed, lower operating expense, and more profit for the store owner.

Our team has assisted numerous *Southeastern grocers* to improve this process, including; Kroger, Winn-Dixie, BiLo, Brunos, Piggly Wiggly, Delchamps, and Harris Teeter. Despite the chain size, the key elements and the steps in the labor management process remain essentially the same.

If you think your current use of store labor is perfect, you should pass on this concept. However, if you honestly think that your store labor productivity could be improved This process could increase your P&L bottom line year after year!

Key Labor Management Elements

Basic elements required for effective labor management include:

- A basic labor management strategy (approach to be employed)
- A basic understanding of the key labor management elements and how to develop them
- Procedures for each key store task that are based on Best Practices (most effective methods)
- Labor standards for each key task (e.g. receiving, stocking, cashiering, re-order, etc)
- Forecasts of expected sales and (incoming) carton receipts based upon available statistics
- POS trend data (trend of sales by hour, day, week)
- A spreadsheet or Labor Scheduling Software to calculate “Required Hours” by key task
- Accurate shift availability times for each employee
- Schedule generation based upon calculated “Required Hours” and POS sales patterns

Many of these elements may already exist in your business. However, we typically find that pre-existing data needs to be refreshed to insure it is accurate. These elements are utilized to develop TWO key outputs. The first is a list of “REQUIRED HOURS” by task (by department). The second output is a STORE SCHEDULE based upon the calculated required hours. The “required hours” calculations tell you how many hours to work and the schedule tells your employees when to work them.

Industry Benchmarks:

- *Average store labor (w/o benefits) < 8% of net sales*
- *Manage all key store tasks by department*
- *Employ Grocery Industry Best Practices by task*
- *Set labor standards by task*
- *Employ software (or Excel) to calculate required hours*
- *Know “current” employee work availability*
- *Calculate “required hours” by department weekly*
- *Develop department schedules to match availability and required hours*



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Atlanta Retail Consulting provides strategic insight, innovative customized business analysis and operational improvement to retail and consumer products clients, permitting them to *increase sales revenue, decrease operating cost, and increase operating margin.*

A key practice differentiator we possess is the breadth and depth of experience that our retail consultant team has accumulated while working in virtually every retail format. Our retail consultant team collectively boasts over two full centuries of successful retail consulting and retail leadership expertise. We also assist our clients to properly implement our recommendations to insure they achieve the results they expected and experience a positive ROI from our consulting services.

Steps in the Labor Management Improvement Process

To ensure a successful improvement to your labor management process you will need an effective labor scheduling strategy. Key process steps in this strategy should include the following:

- Understand the labor management strategy options available to you There are many options and not all may work
- Select the most appropriate labor management tool (software) for your company ... we often utilize Excel
- Identify and observe each key task to determine if it reflects Industry Best Practices
- Implement Best Practices as needed
- Develop Standard Operating Procedures (SOP's) based on grocery Best Practices for each key task
- Develop a defined weekly schedule creation routine to calculate and create employee schedules
- Identify associates' permanent and temporary work availability
- Develop a plan for employee-friendly shift rotations
- Be aware of and understand full-time, part-time and minor work rules
- Create (accurate) sales and incoming carton forecasts
- Identify hourly, daily, weekly and seasonal POS traffic patterns
- Calculate your current basket size per customer
- Develop an effective Excel spreadsheet to calculate "Required Hours"
- Generate initial "Required Hours" and compare them to previous scheduling methodology
- Establish new required hours that are compliant with target sales per hour (SPH) and operational productivity goals
- Calculate employee schedules that match "Required Hours" and minimize over and under staffing
- Develop management reports to measure compliance to "required hours" and scheduled work times.

A well-developed process can minimize over-staffing and under-staffing, increase associate productivity and enhance customer service. An updated labor management process will also provide for faster front end throughput and increased sales activity.

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