WHITE PAPER

Empower your retail workforce

Infor People Solutions

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Introduction

Retail and fashion brands face a complex marketplace driven by digital platforms, increased competition, legislative and economic initiatives, and sustainability-conscious consumers. The team members that run day-to-day operations represent a critical element of any retailer's overall budget. Meanwhile, associates operating on the front lines largely define the consumer's experience with the brand. An optimal workforce creates a shopping experience that is profitable and well-represented for the retailer, and satisfying for customers.

To ensure the right people are in place and to schedule employees more accurately, retailers need to bolster and optimize their staff management efforts. This white paper will give insight into how retailers can use efficient labor planning and budgeting to reduce unnecessary payments, improve productivity, and ensure a consistent customer experience.

Aligning labor planning and forecasting to build an optimal workforce

The ability to respond to changes in customer demand with speed and precision is a fundamental mission for any successful retailer. To build a workforce that supports this mission, retailers must be agile in their daily operations to make sure the best people are available to serve their customers. However, many retailers struggle to maintain an optimal workforce supply across their large and distributed operations because their labor budgeting and planning efforts are cumbersome and inaccurate.

Agile employee scheduling, time and attendance, mobility tools, artificial intelligence (AI), and business analytics insights are all helpful tools for helping retailers optimize their people and adjust their response to internal and external changes. Yet the most efficient execution of these day-of-operations workforce processes will fall short if upstream activities aren't aligned.

Managers that make daily call-in decisions must understand the impact their immediate actions will have on their location's performance to the budget. Meeting that goal requires retailers to integrate day-to-day operational processes with upstream processes such as labor budgeting and planning. Retailers who integrate these processes can close the labor supply loop and increase their real-time agility.

However, real-time agility is difficult to achieve when annual and quarterly planning activities fail to provide an accurate or comprehensive labor roadmap. Even small planning inaccuracies can make it difficult for retailers to accurately budget for future labor demand, and the problem only compounds as heavier shopping seasons begin to roll in.

Adopting better workforce processes with cloud technology

Cloud computing plays a key role for any business that wants an accurate workforce labor and forecasting process, as it digitizes the analysis of workforce requirements. Cloud solutions offer the most affordable, practical way for retailers to harness the computing power they need to manage their workforces. They serve as a crucial tool in an era where data analysis requirements in labor planning and forecasting continue to rise by the month. According to Gartner, "…almost 70% of organizations using cloud services today plan to increase their cloud spending in the wake of the disruption caused by COVID-19."[1]

Any initiative to modernize workforce labor and forecasting processes with digital transformation will be best served by a move to the cloud.

[1] Gartner, "Gartner Forecasts Worldwide Public Cloud End-User Spending to Grow 18% in 2021," November 17, 2020

Navigating budgeting and planning challenges

Labor budgeting and planning activities are typically split into two planning and budgeting processes: The annual budget creation/edit/approval process, and the periodic budget and forecast adjustments that occur throughout the year. Historically, retailers have approached these processes with separate planning systems or spreadsheet-based analyses which produced silos of stale, incomplete information. Without a way to create synchronized comparisons of plans, actuals, and forecasts over time, the approach provides no meaningful integration with day-to-day store operations and reporting systems.

The lack of clear direction and realistic up-front assumptions causes considerable rework, while the dependency on spreadsheets bogs down an already-laborious process.

Because planning is done in standalone systems, change in one plan is not reflected in others. Disconnected systems produce unreliable estimates and lack of confidence in (and adherence to) budget numbers at the store level. Meanwhile, uncoordinated weekly scheduling processes lead to irrelevant budget and forecast numbers that hinder day-to-day business unit operations.

Not only are manual budgeting and forecasting processes slow, costly, and inaccurate, but they're also error-prone and require approval cycles that ultimately serve as time and money sinks.

As a result, companies have routinely devoted upwards of $4,000 US and 24 days to hire a single new worker, according to Glassdoor.[2] Getting the right people on the floor at the right time is an important process, but it requires a more dextrous, more cost-effective labor planning solution that can work in the long term.

Agile planning consists of the following principles:

Principle 1 — Improve control over cost and time of the plan

Principle 2 — Increase plan accuracy

Principle 3 — Align goals and increase transparency

Principle 4 — Provide insight and predictability into the business

[2] Glassdoor, "How to calculate cost per hire," July 5, 2019.

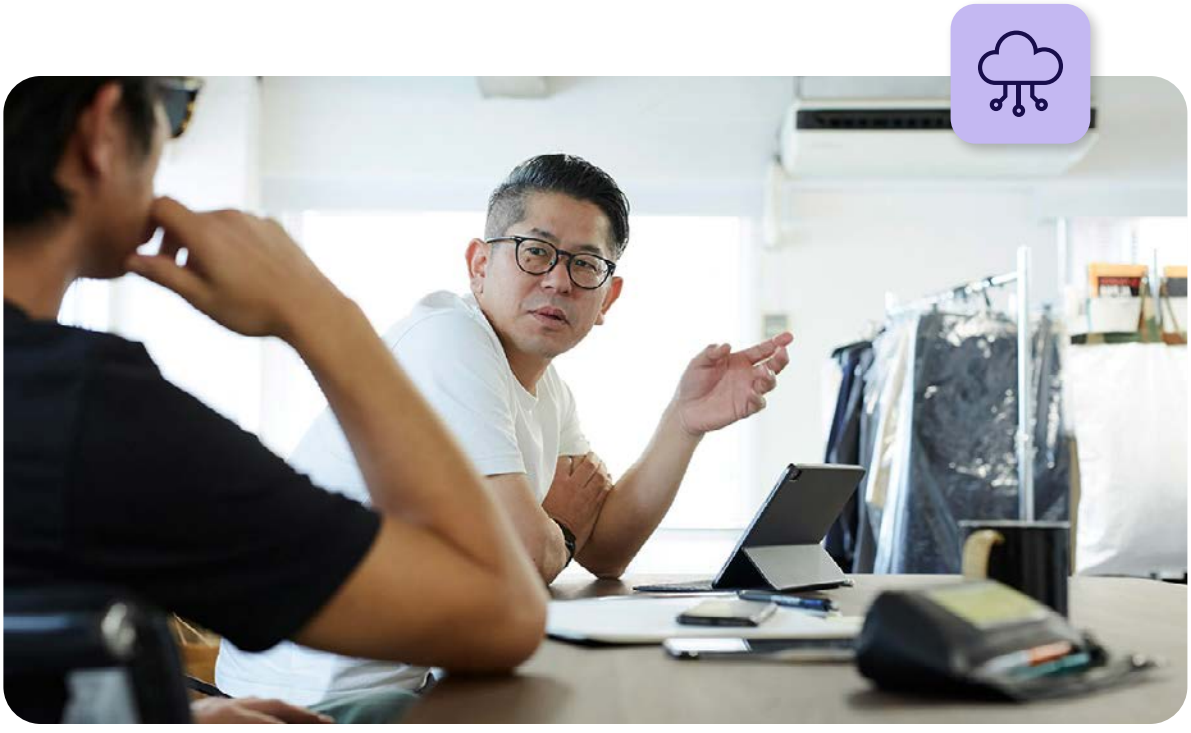
Unlike traditional planning methods, cloud-based labor planning solutions lay the foundation for the strategic development and accurate deployment of retail workforces. Organizations cannot bypass the labor budgeting and planning processes that forecast workforce needs. Achieving an optimal workforce requires reliable labor planning processes that incorporate agile planning principles.

While the cloud delivers the computing infrastructure for higher-level data analysis, modern organizations also need advanced business intelligence (BI) and analytics tools to leverage this massive computing power in ways that help them plan workforce needs.

BI and analytics capabilities enable companies to act on more diverse sets of data to determine the best workforce strategy. Incorporating AI and machine learning into workforce management applications makes the process even more sophisticated. It's a significant step beyond relying on simple linear data analysis of sales and labor data.

"Areas that used to be determined solely through human feedback and review, including promotions, salary rates, attrition and retention, and training and development, are now increasingly data-driven decisions informed by artificial intelligence-powered analytics," states a recent article from Michigan State University. "A key value differentiator of these AI-derived metrics is that they can be gathered and analyzed in real time to help support in-the-moment decisions."[3]

While they may introduce more complexity to the planning process, these modern tools can help to ensure that the right people are indeed on the right floor at the right time.



[3] Michigan State University, "5 Applications of Data Analytics in People Management," August4, 2020.

Adopting agile planning principles

While traditional budgeting and planning efforts are laborious, the information they provide is a critical compass for retailers when the data is accurate, timely and visible. In order to develop long-term planning processes that reduce cost and save time while improving productivity, retailers should consider the following principles:

Principle 1: Improve control over cost and time of the plan

Typical budgeting and planning processes are widely regarded as unpopular activities. Conventional stand alone or spreadsheet-based systems are seen as inadequate when it comes to handling complex plan routing, review, edit, and approval workflows.

The disconnected nature of these processes force change that must be aggregated and distributed at every level.

The lack of automated workflow and reliable edit tools creates a colossal process where annual budget creations can often last up to four months. In an effort to shorten cycle times, retailers often make a desperate decision to remove key stakeholders such as LOB leaders and store managers from the process.

As a result, the very people tasked with delivering on the plan are cut from the planning process, diminishing their commitment to the budget.

By automating the process of budget and forecast finalization, businesses can substantially cut their cost and time requirements. Ideally this workflow enablement would include features such as configurable hierarchies to permit modification of workflow, alerts to notify stakeholders of required actions, and a robust security structure to protect sensitive data.

Principle 2: Improve plan accuracy

Accuracy is especially important when it comes to developing labor budgets and labor forecasts. One of the best ways to ensure accurate budget numbers is to automate the process of aggregating plans and editing calculations. This improved accuracy is compromised if all labor costs aren't considered and reflected in projected costs.

Leveraging labor forecasts

Labor forecasts are dynamic projections of sales and labor that are periodically updated based on actuals to date. Often, only the primary labor driver is forecasted. While occasionally the length of queue, traffic levels, or items processed are used, most of the time sales volume acts as the driver in labor forecasts.

The corresponding labor requirements are then estimated either by a fixed labor as percentage of sales (L%S) or a labor standards-based bottom-up labor projection.

According to research from the Aberdeen Group, companies that can rely on accurate sales forecasts are 13.4% more likely to grow their revenue year-over-year, and 7.3% more likely to hit their quotas.[4] Increasing the accuracy of forecasts requires the following tools:

Forecast algorithm — Actual forecast algorithms may vary from retailer to retailer, but they usually involve an estimation of current trends adjusted by a factor that reflects the strong seasonality of retail drivers. Current trends are typically calculated using moving averages or linear regression. Two seasonality methods are possible: Either a comparison to the same period last year, or a comparison against current year's budget (which is usually based on last year's actuals plus corporate adjustments). Retailers should run sample forecast projections against actual data and pick the most appropriate method.

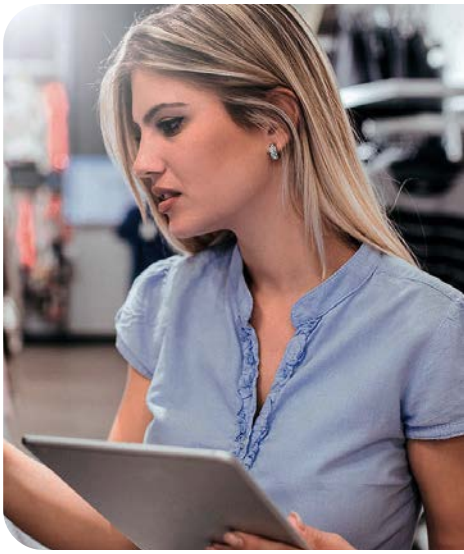
Bottom-up labor projections — Rather than using an arbitrary L%S figure, retailers that desire accurate projections of required labor should use bottom-up, or labor standards-based labor projections. Bottom-up projections ensure that the exact amount of labor is optimally assigned to service the forecasted sales. In addition to customer demand-driven labor, the bottom-up projections should include non-service driven and store-type specific work. For example, accounting for truck delivery or parking lot maintenance provides a more realistic labor forecast that reflects workforce needs.

Integration to time and attendance and scheduling systems — Accurate forecasts need to account for all labor hours. Integration to time and attendance systems is required to estimate vacation and holiday hours expected in the forecasted period by comparing previously booked balances with annual trends. In addition, other scheduled labor hours such as training, absences, or sick time must be incorporated into planning efforts.
The integration of employee scheduling systems ensures that the labor standards used for operational scheduling are also applied in the planning process.

[4] Drfit.com "Sales Forecasting: The Ultimate Guide."

Optimizing labor budgets

Budgets are historically-based, incremental annual forecasts that are compiled by corporate finance, merchandise, and staffing departments and are then pushed down to lines of business. Because line-of-business owners are often measured against their performance to budget, accurate automation of the solicitation and approval process is essential. Budgets are often determined by compiling average sales of the previous two years and adding expected same-store growth percentage. Store openings and closings, promotional calendars, and other corporate insights and planning are also embedded into budget numbers.



Since budgets are essentially annual forecasts, the same bottom-up labor projections and integration to time and attendance and scheduling principles associated with labor forecasts apply. In addition to budget creation methods, functionality must include:

- **Budget import/export** — Labor budgeting solutions must provide capabilities beyond initial budget creation. Functionality must include budget figures that can be imported and exported at any point throughout the approval and solicitation process, allowing staffing, finance, merchandising, or executive departments to do their own manipulation and adjustments. Budget importing and exporting is a key step in creating critical buy-in for the budgeting process.

Principle 3: Align goals and increase transparency

A key benefit of budget and forecast processes is to align corporate goals throughout the corporate hierarchy, increasing the transparency of financial and labor goals and fostering a sense of shared purpose. In order to achieve this, the labor budgeting and planning solution must:

- **Allow for fast approval, edit, and facilitation processes** — Store, district, and regional managers often dread the annual budgeting cycle and the inevitable re-work and approval cycles of spreadsheet-based approaches. A rapid, automated, alert-based process allows users to focus on the accuracy of numbers, not on technical and mathematical challenges.

- **Include business units —** Because the current process is so painful, cost center business units are often excluded in the solicitation and approval processes, simply to save time and effort. Automated long-term planning systems need to be user-friendly to enable high frequency and high participation. Involving the stakeholders responsible for the budget increases buy-in and commitment.
- **Allow for solicitation of labor hours** — Often, budgeting and forecasting processes require solicitation of labor hours between stores, districts, and regions. Automated workflow should allow for hours solicitation while keeping sales and revenue targets fixed. Users that give up and gain hours can understand the impact that labor allocation changes have on the entire business unit, and can be held accountable for results.
- **Ownership and visibility of data** — Proper ownership and visibility of data ensures that business owners truly own their numbers and have the opportunity to edit them when the process requires them to do so. It also helps bolster privacy. While a district manager should see all the planning information in the district, they should not see the details of another district. Similarly, store managers should only see their district and region, not the details of a neighboring store. At the same time, if a store manager is editing their store data, others should be able to see those edits until they are ready for review.
- **Full audit trail** — Buying into a budget or a forecast number requires the user to see how their estimates are modified by others throughout the approval and solicitation process. Full auditing capability must include who, what, when, and comments to ensure users understand exactly how their input was rolled up or distributed down until completion.

Principle 4: Provide insight and predictability into the business

It's not uncommon for business unit owners to passively measure their performance against budget numbers. But budgeting processes are only as useful as the insights that business unit owners can extract from them, and if they labor budgeting and planning systems must facilitate operational and performance improvements if they are to provide valuable insight. These systems should:

- **Provide advanced business intelligence** — Business unit leaders must analyze existing performance, understand long-term trends, and identify improvement opportunities. A full array of pre-configured reports such as budget, forecast, actual, and previous year reports provide intelligent decision support. At the same time, users should be able to create ad-hoc reports to examine data in new ways. Graphical renditions of data throughout dashboards and reports help users quickly visualize and digest information. Dashboards provide users with the ability to easily view data in a variety of ways and understand business patterns.
- **Take advantage of real-time visibility** — Budgeting processes gain significant relevance when integrated with day-to-day operational processes. Managers making daily scheduling or call-in decisions need to understand the impact their immediate actions will have on their performance to the budget. The best way to accomplish this is to integrate budgeting data (budgets forecasts, actuals, last year actuals, etc.) into daily workforce management dashboards used by store and floor managers.

- **Leverage AI and machine learning** — With advanced BI working alongside AI, and machine learning capabilities, a retailer can forecast staffing requirements by analyzing seemingly unrelated data like weather and seasons, in addition to the sales data and employee schedules it has used in the past. Advanced BI and analytics capabilities enable accurate forecasting of labor requirements for the entire enterprise, not just a single location

- **Provide quarterly and year-end performance estimates** — Each time a monthly or quarterly periodic forecast is calculated to gauge performance against the annual budget, the labor budgeting and planning tool needs to estimate both quarterly and yearly totals based on actuals to-date. By using a combination of actual and forecasted values, business unit leaders can manage towards their periodic or year-end goals and adjust as needed.

- **Allow for what-if scenarios and multi-dimensional benchmarking** — The long-term planning tools must allow for the creation of "what-if" scenarios by saving multiple drafts of the budget prior to submittal up, or release down. Further, planning tools must also allow for on-screen visibility into multiple locations within the same time frame or even within multiple time frames for each location. This allows for rapid on-screen benchmarking and comparisons that serve as the basis for ongoing insight and performance improvements.

- **Enable better collaboration with mobile technologies** — An effective mobile strategy enables executives, managers, and employees to access and act on the insights powered by BI, analytics, and the cloud anywhere, anytime. This accelerates decision- making at all levels. Executives can make strategic decisions faster and more easily. Employees get new tools for self-managing their time at work, time off, and professional development.

Closing the workfoce supply loop

Labor budgeting and planning is the foundation of real-time retail agility. Budgeting exercises require deep commitment from multiple groups, making them critically important, but often cumbersome and error-prone. By implementing a fully integrated long-term planning solution, retail organizations empower themselves with the tools that allow for accurate and effective optimization of labor usage and costs.

Retail market leaders understand that weekly operational scheduling is only as good as the monetary constraints placed on it. Making the right decisions on how to constrain labor costs is crucial to proper customer coverage and conversion rates.

Optimization of long-term labor supply processes account for labor costs and the desired labor pool makeup while integrating with operational scheduling.

Adopting these principles gives retailers access to multiple benefits. It helps reduce operational inefficiencies by:

- Reducing spreadsheet aggregation errors
- Embedding corporate goals in operational processes
- Increasing the accuracy of labor forecasts

It helps cut process time through:

- Streamlining the process
- Cutting required interaction time
- Improving execution agility
- Forcing process compliance

Finally, it helps reduce labor expenses by:

- Optimizing the use of labor dollars through bottom- up budgets
- Only paying for labor truly needed
- Reducing manual effort
- Increasing predictability
- Fostering a sense of shared purpose and buy-in
- Building an ideal workforce that optimally services customer demand

The right workforce labor budgeting and planning solution will leverage digital tools like cloud computing, AI, machine learning, and mobility solutions to link retail operational processes with corporate financial and strategic decisions to close the workforce supply loop. Powerful budget and forecast creation functionality, combined with robust management and utilization tools, ensures retailers are optimally spending their labor dollars.

Still, retailers must consider other key components of long-term workforce planning. Integrating recruitment planning into broader workforce planning initiatives allows retailers to do more than translate budgets and forecasts into headcount. The integration gives them the ability to finely shape and engineer their labor pool by accounting for skills, full and part-time ratios, labor policies, and union rules. By integrating this data, retailers can use budgeting and planning information to determine the quantity and quality of headcount required to build and deploy an optimal workforce.

To establish an optimal workforce, retailers must adopt tools that empower their staff to more accurately schedule employees. This transformation of workforce operations allows retailers to reduce unnecessary payments, improve productivity, and ensure the consistent experience that modern customers demand.

About Infor

Infor is a global leader in business cloud software products for companies in industry-specific markets. Infor builds complete industry suites in the cloud and efficiently deploys technology that puts the user experience first, leverages data science, and integrates easily into existing systems. Over 67,000 organizations worldwide rely on Infor to help overcome market disruptions and achieve business-wide digital transformation.

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