

Labor Solutions International, Inc.

LaborTalk Newsletter

Issue # 5 Fall 2008



Welcome to LSI LaborTalk – A Newsletter for Retail

Kevin's Korner



We're Back!

Hello and welcome back. Since the retirement of our CEO and founder, Bob Haworth, I have been working towards the re-issuance of our LSI newsletter; we have had quite a few hits on our website asking for the latest edition, so here it is.

In this issue, you will learn of my new blog on our website, a few of our new employees, exciting news about two new clients, and a white paper from our Industrial Engineering experiences.

I hope you enjoy this edition of LaborTalk Newsletter and the future editions we will be posting regularly. I have listed our contact information on the last page, and I invite you to please submit any suggestions or requests you may have for inclusion.

Kevin Donnelly is President of Labor Solutions International, Inc. (LSI). LSI is a wholly owned subsidiary of WorkPlace Systems plc, the premier workforce management software provider in the UK and all of Europe. Kevin has been associated with LSI for ten years as a Senior Consultant, the Vice President of Operations, and now President. Prior to LSI, Kevin spent 27 years with the regional supermarket chain Schnuck Markets, Inc. where he was in stores, store management, and eventually corporate management, heading workforce management initiatives company-wide.



Something New

Not to make this sound like another piece just by me, but one of the newest things we are sharing with our clients and prospects is my blog on our website.

I have been recording random thoughts for quite a while about retail workforce management, and now I share them every week with the retail community.

I ask that you please visit our site and check out the blog. You can find it at <http://lsi-solutions.com/blogs>.

I look forward to any and all feedback on the blog plus I welcome any suggestions for new threads of discussion.

What's Up

We at LSI would like to welcome two new members of the LSI team.

Divesh Bhagat is a Senior Consultant from WorkPlace Systems and has joined us in the US. Divesh has a wealth of experience in implementation and project management. He is also an expert on the WorkPlace applications StaffTracker and WorkTracker (STWT).

Divesh gives us excellent support in-house for our US STWT clients as well as helping us grow that business. We all wish Divesh the best as he re-locates in the Dallas, Texas area.

We also welcome Brett Siwak, our new inside salesperson. Brett will be working at the St Louis, Missouri offices. He reports to LSI Vice President of Sales and Marketing Eric Hoffmann. We look forward to Brett assisting us through the sales cycle.

We Grow and Grow

LSI is very proud to announce a new and significant client.

In New York we have earned the business of Armani Exchange. Armani Exchange has over 72 stores across North America and plans a further 10 new locations in 2008. To help manage their Store Associates better and further improve Customer Service, Armani Exchange looked to a comprehensive and easy to deploy Workforce Management solution which included Time & Attendance as well as Scheduling and Budgeting. From the press release: "We reviewed a number of established suppliers in the Workforce Management market and after a rigorous evaluation process, selected LSI and WorkPlace Systems." stated Ed O'Connor VP Controller Armani Exchange. "LSI Solutions provided Armani with a compelling solution – the easy to use WorkPlace Retail Enterprise software and LSI's in depth understanding of Workforce Management and Store Operations. We are now focused on a rapid deployment, which we plan to complete in the next four months."

From Jay Hemby Our VP of Operations:

Engineered Labor Standards – A True Speed-to-Value Approach *A Retail Workforce Management White Paper*

“**Speed-to-value**” is a saying heard in many circles. The phrase is never truer than today in the retail workforce management (WFM) space. With retailers scrambling for small chunks of profit margin, all the while trying to walk the customer service tightrope, today is filled with the charge to obtain high value for every dollar spent – and as quickly as possible.

When it comes to gaining store labor efficiencies through process improvements and accurate labor forecasting / scheduling, there are a few common approaches seen throughout the retail vertical. Using the ole faithful sales per labor hour (SPLH) method has been around for eons and provides some retailers with the simplicity and comfort they are familiar with on a day-to-day basis. After all, retailers indeed know their sales, just as they know that ole Joe across town runs a darn good store operation. So, what could be better than basing every store’s operational metrics upon Joe’s own labor hour performance compared to his sales?

The answer, of course, is that an activity-based workforce management system provides a more accurate view of the real day-to-day labor demand for each individual store across the chain. Joe may indeed run a fantastic store, but he also does not have to deal with some of the significant process, equipment, facility, item mix, customer demographic, or store location nuances that other store managers in the company are forced to handle. Then, there is the financial quandary inherent with SPLH. Why would a retailer want to subject his accuracy in forecasting labor need to inflation and/or deflation brought about by a SPLH approach?

Dig into the details

OK, you say, but wherein lies the value in such a system? They aren’t exactly free and sometimes require a lengthy investment of time and resources. With today’s web-based WFM systems, the value (**and the profit**) lies in the details. A thorough bottom-to-top analysis of the operation, the associates’ availability and roles, and accurate data inputs provide a “can’t miss” opportunity to improve both the store’s operational performance and its level of customer service.

To get the most value for such an undertaking, all of these significant details must be studied and questioned. When it comes to store labor, which, by the way, is the highest controllable expense for most retailers, they all know how much they spend on labor, but only a few know how much they **should** be spending on labor! That’s where the activity-based WFM system and its in-grown benefits come into play. These systems need good data in order to provide the value promised. Store data, obtainable from POS systems, receiving/shipping invoices, pricing and pharmacy systems, etc., provide one of the three key data inputs. HR and payroll systems provide the associate data, which is the second. Finally, the third data set is provided through accurate activity-based labor standards and customer service labor requirements.

By far, a more accurate labor predictor than SPLH, labor standards have been embraced by 19 of the Top 30 US retailers (63%). Not only do they provide an expected, reasonable time per task, but they foster new ways of thinking, since analyzing the details of an operation identifies many forms of waste.

Focusing now on labor standards, there are primarily two different approaches utilized to develop them: (i) using a predetermined time system (PPTS) and (ii) time study. Newer to retail, but long valued by manufacturers, a PPTS epitomizes the “**speed-to-value**” philosophy. These systems use standard data, developed through thousands of time and motion studies conducted during the 20th century, to reflect a predetermined time for an average worker, working at an average pace, and in an average environment to perform manual work tasks. The final result is a solid, engineered labor standard that will withstand subject matter expert scrutiny and provide value to the organization in many ways.

Jay Hemby Continued

PPTS are a WFM Best Practice

An advantage of the PPTS standard data concept is that a user does not have to build everything from scratch; no wheel reinvention required! Micro-level data, like obtaining a small object within reach, walking one step, bending at the waist, pushing a button, writing a word, etc. is used to build higher level data elements. These elements of work, such as opening a cardboard case with a box cutter, scanning a small item, removing shrink wrap from a pallet of cases, affixing a label to an object, transporting a pallet using a pallet jack or forklift, stocking a shelf or peg item, or removing & replacing a trash can liner can all be used over and over again in the application, bringing great speed and unmatched consistency to the labor standards process.

Higher level work standards, like stocking one case of hard fruit, making and serving a deli sandwich, par-bake and stocking a dozen donuts, cutting, processing & wrapping cuts of meat, scanning and bagging items at the checkstand, tendering a credit card transaction, and mopping one sq.ft. of tile flooring are built, element-by-element within the system.

Another advantage is **speed** of implementation, since only one properly performed sample is needed to be observed (thru direct observation or from videotape), the standard can be developed rapidly. Unlike proper time study, the user does not have to pace “rate” the employee, removing much subjectivity, while consistently producing a more accurate standard than time study. Maintenance of the system is also accomplished swiftly, as updates and edits are quick and easy to perform. Learning the application is simple and easy, with a mere three-day training course to get up to speed. Oh, and you don’t have to be a degreed industrial engineer either; it’s not that complicated.

On the technical side, the labor standards reside in a relational database, which can easily be linked to other systems or databases. Within the system itself, all of the detail, or “method steps”, are visible, which provides simplicity when reviewing contents – a person can “see” everything that makes up the standard, thus it shows what **is** and what is **not** included.

Leverage your investment via process improvements

In addition to these inherent advantages of a PPTS, the scrutiny of detail facilitates other uses – process review, evaluation & improvement, modeling of future processes (“what if?” analyses), easy-to-calculate ROI analyses – it is a **predictive** or **proactive** tool in this case. Whereas time study only covers what is actually seen during the study and it can only be done properly in an environment where the process has been previously perfected. PPTS measures the amount of time that **should be** used to perform a task, as opposed to the amount of time that **is currently** being used. Do you want to know what you do, or what you should do?

Some of today’s PPTS provide for the inclusion of work instructions or other written information which can be electronically linked or integrated within each standard and included in the onscreen display. Video clips of the task can also be integrated and attached to the corresponding standard if desired. Pie charts and “value-added” vs. “non-value-added” work analyses can be quickly performed and displayed in these systems.

“Well, I’ve never heard of such a system!” you exclaim. “What’s wrong with the old fashioned time study approach?” If you’re talking about a bona fide time study that desires to be statistically valid, then you will need many sample measurements (100’s at times), making this a time consuming and costly approach (low speed, low tech, and low value). Time study only produces a total time for the process, losing much of the detailed method steps that make up the process itself. This hampers process improvement / best practices efforts. As for maintenance, many companies have found it difficult to maintain time study standards and keep them current. Often, a complete re-do of the standard is required as processes change. As previously mentioned, if the study is executed properly, “rating” of the operator is required, which is very subjective and increases the margin of error (labor unions tend to frown upon this).

Jay Hemby is graduate of Texas A&M with a degree in Industrial Engineering and has an MS, Administration, St. Thomas University. Jay is the leader in Engineering excellence at LSI as well as the VP of Operations.

A Note about LSI

Labor Solutions International, Inc., exclusively utilizing senior level consultants to foster change and improved efficiencies, has delivered successful implementations with the leading retailers in the supermarket, big box, specialty pet care, specialty apparel, fitness, hotel and hospitality vertical segments. Bringing retail best practices and solutions in processes, methods, labor standards, store profiling, labor scheduling and reporting, LSI is uniquely qualified to assist retailers with their labor improvement goals and initiatives

Please contact us at the address below to set up a call about your important Workforce Management projects today.

For more information visit: www.lsi-solutions.com

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