



## Facing the Customer More than the Merchandise

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A Retail Workforce Management White Paper

Labor Solutions International  
Workforce Management Solutions

# Facing the Customer More Than the Merchandise

## The Challenge

Mall-based specialty retailers all share a common challenge: how to spend more quality time servicing customers and driving sales, with less time spent in the backroom. Customer-facing time is extremely important in order to maximize the shopping experience and hit sales goals. Friendly smiles, warm greetings, sincerely listening to customer needs, and providing quick and knowledgeable purchasing suggestions frame the picture-perfect persona of the customer/sales associate interaction.

Retailers' goals of maximizing this sales floor time, while minimizing time spent away from sales activities is ever so important in today's fast paced, low margin, "I need it now" shopping environment. But how is this done? Merchandise must always be received, recorded, sorted, processed and stocked. Other tasks, like performing markdowns/clearance, shelf recovery, and POS operation at the cash wrap station are also necessary. The key, as discovered by a west coast based, mall-focused specialty apparel retailer is to "engineer out" the inefficiencies – thus, streamlining these essential, but non-value added, backroom, in-store and cash wrap tasks. OK fine, now, specifically speaking, how is this done?

## The Plan

Eliminating or minimizing non-value added time during the performance of store work tasks will result in more valuable time for improving the customer shopping experience. This statement sounds just like plain common sense; and it is. However, it takes the incorporation of industrial engineering disciplines, realistic ROI analyses, effective testing, determined implementation, and long term sustainability to make it happen.

Obviously, the first step in this process is to develop an action plan – a plan that is easy to understand and simple to implement for all parties involved. This retailer's plan included several major steps, beginning with a 5S program for the backroom receiving, sorting and merchandise processing tasks. 5S, originally coined by Toyota manufacturing in the 1970's, utilizes a five-step process to bring organization and efficiency to any work station. Accepted norms have shown a 10% efficiency gain when implementing a thorough 5S initiative can be expected, so this was a minimum threshold for the backroom activities.

The next step focused on streamlining and improving the cash wrap station and corresponding POS tasks when processing a customer's transaction. More time needed to be spent conversing with customers about their purchases, needs, up-selling points, and shopping experience than entering data into the system, fumbling with wrapping and bagging merchandise, locating current customer loyalty cards, and trying to determine correct prices, etc.

Other in-store tasks also seemed to take too much associate time, but no quick answers were apparent. Handling the weekly product markdown report and process was a lengthy and sometimes difficult task. This area needed a deep and thorough evaluation for potential improvement opportunities. In summary, the retailer's plan focused on several work areas within the store, and incorporated different strategies to foster the desired level of improvement in each area. The plan was for each strategy to reduce non-value added time and effort, while freeing-up time to spend with the customer on the sales floor.

## The Effort

Labor Solutions International, Inc. (LSI) has been helping retailers improve customer service and maximize overall labor efficiency for more than ten years. Employing retail-customized methodologies, techniques and applications, LSI has proven to be the industry leader in terms of in-store process improvements, best practices, labor standards, store profiling, and labor scheduling/ systems integration. Thus, this apparel specialty retailer selected LSI to design and run the engagement described above. LSI primarily employs senior-level industry experts, so the effort began with two senior consultants working with the retailer's own resources to initiate the proper methodologies.

Once the plan and processes were outlined at a high level, pilot stores and both corporate and field personnel were engaged. Testing of the backroom 5S program was undertaken at two of these pilot stores, each representing a different store prototype with different backroom challenges. 5S fosters "a place for everything and everything in its place" mentality, with detailed organization, labeling, and clutter elimination serving as key principles. Refinement and further implementation of 5S, including the purchase of new equipment and organizational materials, was conducted so that the program could be rolled out chain-wide. Early responses from the pilot stores proved that the backroom associates valued working in a more organized and efficient work area.

Simultaneously, improvement efforts were underway for the cash wrap area and the markdown process. It was determined that the cash wrap station needed a more efficient method for bagging merchandise, along with a mini-5S program for improved organization and effectiveness of required tools, machines, equipment and related materials. As with the backroom effort, subject matter experts from the field were consulted and they assisted with the testing and refinement phases, too. For the POS system needs, corporate experts were utilized to streamline the input of customer data, strategize for improving the entry sequence of customer answers to key questions posed during the transaction process, and eliminate outdated data collection and information gathering. All of these strategies were designed to speed up the checkout process, so that customers who had finished shopping could be processed faster, resulting in less time spent waiting in line. Again, the associates' time could be more productively spent on the sales floor with the customer or used to up-sell at the cash wrap, rather than used to perform non-value added tasks at this final step in the customer's shopping experience.

After performing the markdown process numerous times at different stores, interviewing more subject matter experts, and consulting both internal and external IT personnel, LSI consultants determined that this improvement opportunity required a three-step effort. First, better transmission/receiving coverage from the handheld RF gun within the store was needed. This was accomplished by changing the location of the sensing unit for most stores. Next, additional equipment (another RF gun) was required to make this process as efficient as possible, allowing multiple associates to perform the process. The additional gun was cost-justified in part because it was also used for receiving merchandise at the back door. Finally, a corporate initiative to customize the weekly markdown report for each individual store was needed so that each store could more quickly process the markdowns that only pertained to that store – as opposed to spending wasted time searching for markdown merchandise that did not even exist at that particular location. These efforts greatly improved this weekly task execution, once again providing the store with more time to spend with customers and less time spent performing the markdown process.

### The Change

Managing change can be difficult, especially when the workforce is primarily comprised of nonprofessional, junior part-time workers, who often jump from job to job frequently – yes; high associate turnover is a fact of life in this vertical market. For the backroom changes, as well as the cash wrap and markdown process improvements, simplicity was essential. All three of these areas now had a new, improved process to follow and adhere to. So, the training documents were designed with an easy-to-follow process flow diagram, including photographs. Knowledge transfer was provided by selecting regional “champions” and then incorporating a “train-the-trainer” approach chain-wide.

A fun and meaningful name was given to the program, “Built For Speed” (BFS), and then executing the rollout plan was undertaken. A corporate meeting for all store managers also facilitated widespread acceptance and understanding. All of these efforts fostered a positive environment for change by encouraging a positive attitude and uplifting spirit. The retailer reports that rollout has been very successful, showing favorable acceptance and compliance of the new methods. Many associates have commented that the new changes have helped them bring a more positive attitude to the work place.

### The Results

All improvement decisions were made with a keen eye on the expected ROI. Some results are already in the books with the corresponding benefits being realized, while other expectations are forthcoming with a longer horizon to measure and evaluate. Early efficiency gains from the backroom 5S program show that 3 hours per week are the expected savings with the new methods enacted, resulting in over \$700,000 in annualized labor that can be redeployed elsewhere in the store. Cash wrap mini-5S, physical upgrades, POS data capture, data entry and question/info sequencing have shown a labor savings of approximately 4.5 hours per week, equating to about \$900,000 of redeployable labor. The markdown process has shown an approximate 30% reduction in average completion time, with an annual labor savings potential of over \$650,000.

In summary, the overall engagement with LSI should result in more than \$2.25M in annualized labor savings that can now be used to better service the customer and drive additional sales. The store is better organized, runs more efficiently, and is easier to operate, which is an important attribute considering high associate turnover. With a place for everything and everything in its place, Built For Speed is more than just a catch-phrase, it is reality in motion. Thus, more attention is being paid to customer questions, suggestive selling and up-selling, with less unproductive time being taken for non-customer facing activity. The customers are happier, with less time spent waiting in line to checkout, and more available and attentive sales associates manning the floor. All-in-all, the retailer and the customer win in this newly improved environment.

### 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.

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