

Case Study

Retail



Background

A large NYSE retailer with more than 1700 stores nation-wide engaged EmLogis to analyze their store to help identify areas to improve financial performance immediately.

Problem

The store was not achieving profit targets and was forced to implement an across-the-board reduction of hours for employees (associates) as a means to achieve profit as a percentage of sales goals. The manager was concerned that this method would negatively impact both the quality of customer-experience and employee morale.

Implementation Process

The manager had utilized the in-house forecasting system (utilizing POS data and other metrics) to define the days and hours when sales occurred over a 10 week period. The result was an identified set of days of the week and hours of the day that customers were in the store and spending money. He used this as the needs or demand for associates on any given day on an hourly basis. With these requirements and information on the associates, including skill sets, hourly pay, availability and the preference for days and hours worked by each of the 150 hourly associates, EmLogis began the audit.

The initial step was to create a variable shift structure utilizing 15 different shift options to effectively meet the demand for associates by department for an 8 week period. Many of the associates had multiple skill sets that allowed them to be utilized in different departments. As such, the associates were treated as a single team and all 150 were scheduled simultaneously to create the optimal use of all associates.

Solution

The audit results included 100% of customer service requirements and 95% of associate preferences for work time. Based on budget targets set at the beginning of the year, to meet 100% of anticipated customer service across all skill sets and all time requirements, the following weekly hourly associate costs were forecast. The EmLogis audit utilized the same starting assumption for customer service but generated an annual savings of \$568,256 of savings annually.

Summary of Results

- 19% reduction in payroll by reducing overtime and aligning skill sets to customer demand.
- 95+ % team member satisfaction rating on work schedule based on proactive preference based solution.
- 100% of fulfillment of customer requirements by more effective utilization of team members.
- \$800,000 savings potential for a single store.
- Billion dollar EBITDA opportunity with a corporate wide rollout.
- Additional value in reduced team member turnover costs delivers an aggregated ROI in excess of 10:1.



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In an effort to meet profit objectives, actual payroll costs had been reduced from original budget levels. The company applied across-the-board reduction of hours for all associates. As a result, hourly payroll for the first 26 weeks averaged \$52,209. Even after the reductions had been applied, the results from the EmLogis audit created savings of \$3,806 per week for an annual savings of \$197,912. These savings would not impact customer service in the same manner as the across-the-board reductions did.

Weekly Payroll Budget	EmLogis Payroll	Savings
\$58,331	\$48,403	\$10,928

Additional areas of savings identified:

- \$4,200 per week due to overstaffing and full time/part time associate mix.
- Review and adjustment to existing business process requirements. Examples include sharing of schedulers across multiple stores, additional cross training of associates and numerous other considerations.
- Reduction in turnover and associated costs – even after the selective reduction in payroll costs.

Corporate Impact

The combined savings against budget goals resulted in a potential annual savings of \$800,000 from a single store.

If applied across the entire corporation, the results would be over a billion dollars per year. Based on the previous year's results, this would represent a 15% increase in EBITDA.

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