



Coming to a Store Near You: High-Performance Store Management

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The Bottom Line: Ubiquitous High-Performance Store Management, now improving store execution of corporate projects and programs, can drive earnings per share growth

A few leading retailers expect good Return on Investment (ROI) from new Web-based functionality that improves in-store execution of tasks for chainwide performance of projects and programs. Others are taking advantage of new Web-based Workforce Management (WFM) to handle associates and process-driven activities. The key developments are as follows:

- Store Execution Management (SEM) complements WFM to manage store tasks for corporate projects and programs.
- Retailers still need a best-of-breed approach to High-Performance Store Management (HSM).

Information Technology (IT) and store operations should deploy SEM ASAP and adopt HSM for their three-year store IT strategy framework.

AMR Research is working with industry leaders to define SEM to complement WFM, validate benefits of early deployments, and develop a strategic framework, HSM. Our research has brought us to the following conclusions:

- Current management of store execution of projects and programs adds costs, leaks value, and creates compliance failures.
- All early SEM adopters expect that SEM will reduce costs and improve compliance; a few anticipate revenue growth.
- SEM improves corporate, field, and store management of tasks to complete chain-wide projects and programs.
- Web-based WFM supports new productivity improvement strategies.
- Application vendors will expand their support of HSM.

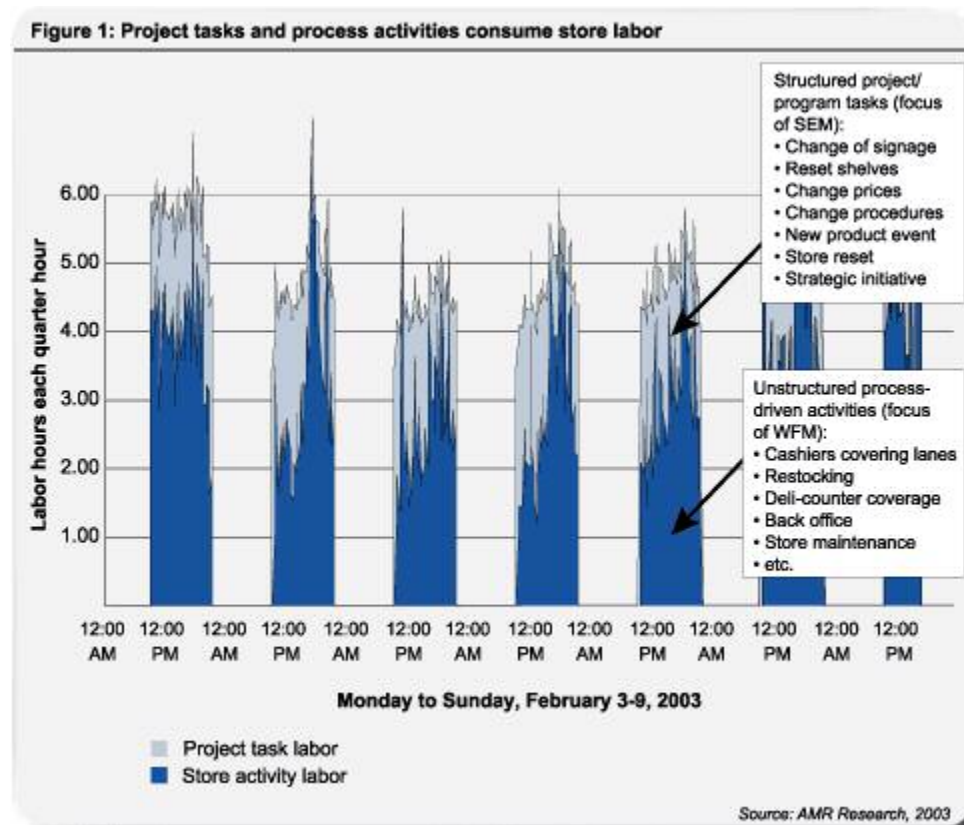
SEM complements WFM to manage store tasks for corporate projects and programs

As shown in Figure 1, retailers need to manage two distinct types of store-level work across their outlets:

- Tasks stemming from projects and programs created by corporate functions
- Activities springing from in-store processes assigned by store management

Each type of work requires a management process suited to the way it is defined, forecasted, budgeted, assigned, and monitored, and also the way that exceptions are handled. WFM applications have been designed and deployed to manage activities driven by in-store processes. They are effective, but they only manage part of your largest variable expense—in-store labor. They fall short in supporting the creation, assignment, and execution of in-store tasks arising from corporate function projects and programs. We're talking real money—where corporate work utilizes 20% to 40% of store labor capacity, as in big-box Do It Yourself (DIY), book, and other segments and formats.

Policy-driven work, a third type, sometimes exhibits the characteristics of process-driven activities, as with the policy that more than three customers waiting in a checkout lane should open an additional lane, now possible with **Brickstream**'s passive status monitoring, the best example of zero-cost real-time capture of in-store service conditions. Other times, as when corporate policy requires the completion of certain tasks following an Occupational Safety & Health Administration (OSHA) incident, this type of work consists of tasks best managed through workflow.



SEM applications, now available from vendors like **Park City Group**, **Reflexis**, and **StorePerform**, and likely available in the near future from WFM vendors like **Radiant Systems**, **Timera**, **Tomax**, and **Workbrain**, complement WFM applications by giving retailers the means to manage in-store tasks driven by corporate function projects.

Early SEM adopters include the following:

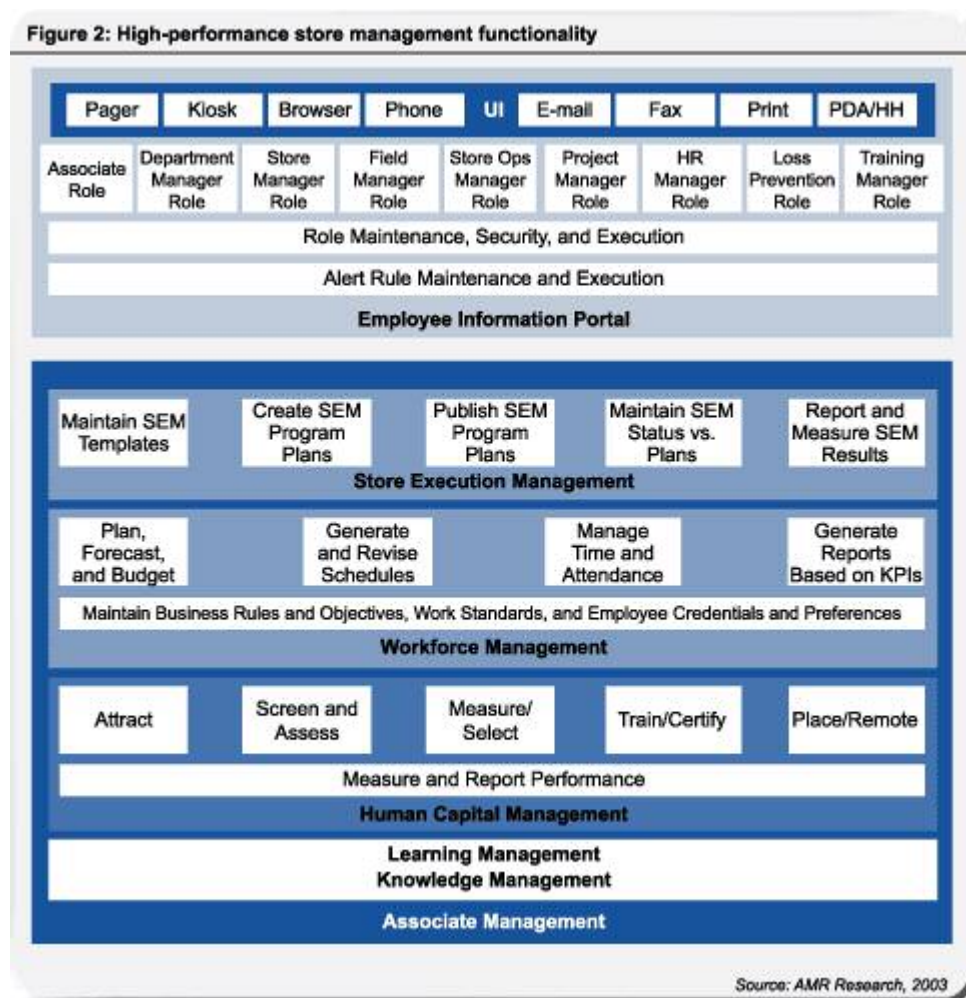
- The largest North American full-line department store chain
- The world's second largest retailer
- A leading office superstore chain
- A consumer electronics superstore
- Two Quick-Service Restaurant (QSR) chains

Retailers still need a best-of-breed approach to HSM

While SEM complements WFM, HSM requires broader functionality. Our discussions with retailers, management consultants, and application vendors validate the need for an applications footprint that provides capabilities to do the following (see Figure 2):

- Access corporate knowledge bases for recording and querying best practices and managing events compliant to corporate policies, procedures, and government regulations

- Deliver and record completion of skills development and other learning activities, as required, to remediate poor performance, acquire or maintain certification, and support career path progression
- Manage human capital, by measuring performance, attracting and screening job candidates, maintaining and administering benefits, placing, promoting, and disciplining employees, and maintaining records post-severance
- Plan and schedule workforce capacity against process activities and project tasks by enforcing and recording time and attendance; maintaining associate credentials; forecasting workloads and budgets; maintaining associate availability and work preferences by time, function, and location; maintaining activity and task labor standards; generating schedules optimized for configurable business rules (constraints) and objectives (typically cost minimization for given service-level targets); publishing schedules; and supporting shift bidding and swapping subject to policies and objectives
- Manage the creation, publication, assignment, and execution of store-level tasks for corporate projects
- Present the above through an Employee Information Portal (EIP) that supports all common user interfaces and role-based, personalized access, transaction processing, and exception management



The HSM functionality depicted in Figure 2 is not currently provided by any one vendor. Retailers seeking it still need to assemble functionality from bits provided by two, three, or even four vendors. Table 1 maps vendors' current capabilities against HSM functionality.

Vendors are extending their HSM footprints, as described later in this Report. This progress, with better performance data collection and analysis, will enable retailers to improve their understanding of the costs of not recruiting for the best aptitudes and training for particular skill profiles. Certain scheduling tools that highlight skill set constraints by title and role are integrated to human capital, learning, and knowledge management tools—expect more integration across HSM layers. Implementing such integrated functionality must be coupled with organization and process innovation away from too-common stove-piped approaches.

Table 1: Vendor Coverage of High-Performance Store Management Functionality

| Vendors | Functionality | | | | | |
|---------------------------|-----------------------------|----------------------------|----------------------|--------------------------|---------------------|----------------------|
| | Employee Information Portal | Store Execution Management | Workforce Management | Human Capital Management | Learning Management | Knowledge Management |
| JDA Software | | | | | | |
| Kronos | | | | | | |
| Lawson Software | | | | | | |
| Park City Group | | | | | | |
| PeopleSoft | | | | | | |
| Radiant Systems | | | | | | |
| Reflexis | | | | | | |
| Retek | | | | | | |
| SAP | | | | | | |
| StorePerform Technologies | | | | | | |
| Temposoft | | | | | | |
| Timera | | | | | | |
| Tomax | | | | | | |
| Unicru | | | | | | |
| Workbrain | | | | | | |

Key:

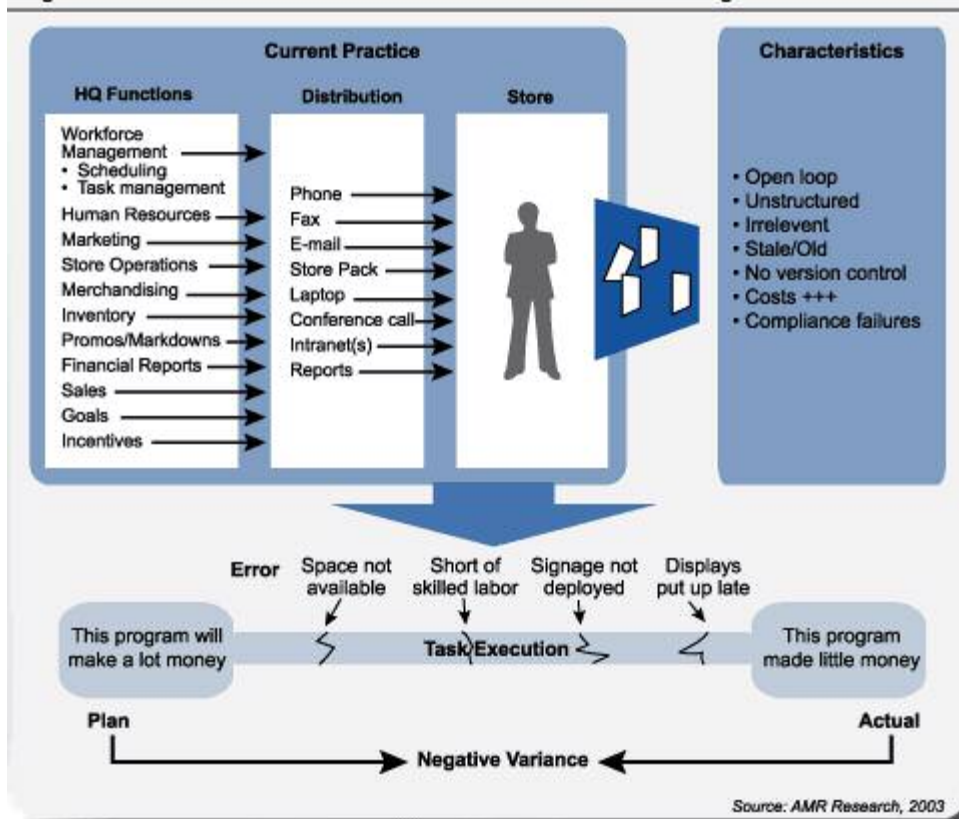
| | |
|-------------------------|--|
| Full Coverage Now | |
| Partial Coverage Now | |
| Planned Future Coverage | |

Our 2003 HSM research continuum will describe adoption change management best practices and assess leading vendors' capabilities, beginning with the upcoming Report titled "Stretched Store Operations Find Relief with Workforce Management."

Current management of store execution of projects and programs adds costs, leaks value, and creates compliance failures

Early adopters of SEM applications trace negative variance of actual project and program performance to causes rooted in traditional modes of managing store-level task execution. As depicted in Figure 3, current means of distributing project instructions are plagued by characteristics that add cost and time, leak value, and cause compliance failures. Store-level management of corporate projects and programs is hindered by unstructured communications, irrelevant information, open-loop communications, and poor version control. One department store chain, for example, now sends over a thousand reports to its full-line stores while each role needs content from about five. When they accumulate across an entire chain, these failures materially contribute to poor corporate-level financial performance.

Figure 3: Cost drivers and value leaks in store-level task execution management



All early SEM adopters expect that SEM will reduce costs and improve compliance; a few anticipate revenue growth

When a consumer electronics superstore introduced its current racetrack store concept, it put the mobile telephony category at the top of the track, using placement to make its statement in that category. At least one early SEM adopter is deploying it to support a similar strategic objective—improving store execution of tasks to regain share in a key destination category.

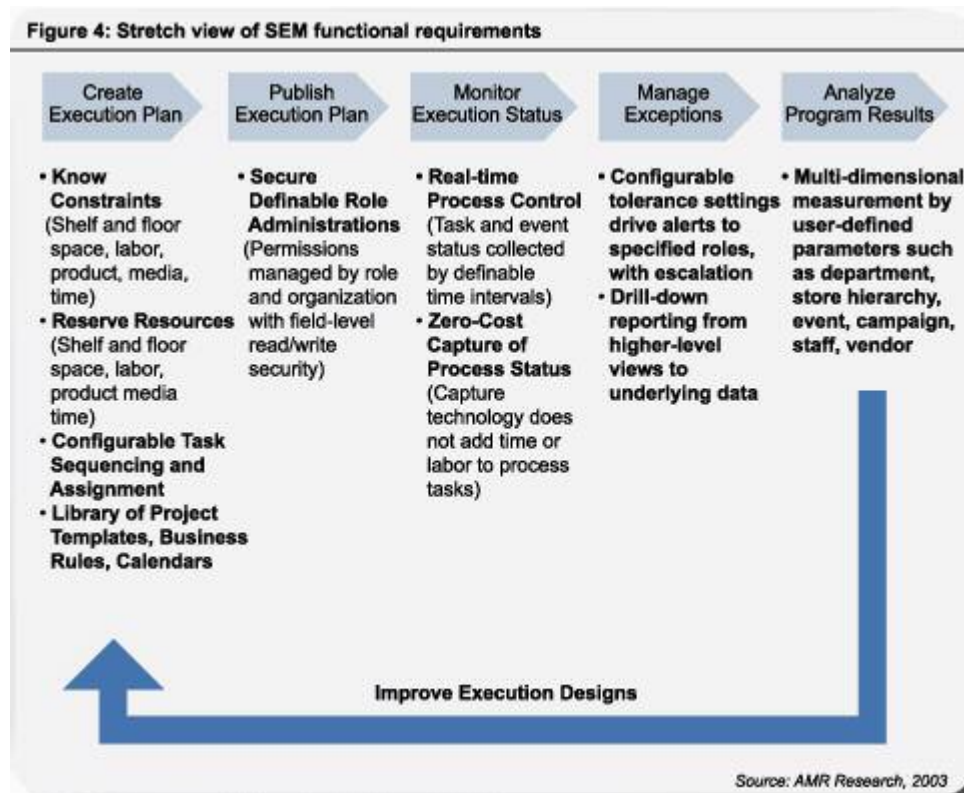
Retailers that have begun rolling out SEM applications expect the following types of benefit:

- Elimination of costs and cycle times associated with printing, stuffing, and mailing paper documents to manage store-level execution of corporate-function projects and programs
- Significant reduction in clarifying voicemail and e-mail traffic by replacing unstructured, impersonal project management instructions with structured, personalized instructions created and distributed by rules associated with roles and project-type templates
- Better compliance to corporate initiatives by providing real-time above-store visibility to task completion status, maintaining store-level execution scorecards, and adding capabilities to manage exceptions
- Improved store management of project tasks, reducing workloads on field management and increasing compliance
- Enterprise visibility and record of recurring and event-driven store management tasks, such as the manager’s daily reopening store walkthrough and snow-clearance, and of third-party performance against service-level agreements and other contractual obligations
- Fewer “last-mile” omissions that leave product, signage, displays, and other assets in the backroom

SEM improves corporate, field, and store management of tasks to complete chain-wide projects and programs

Figure 4 presents our stretch view of the capabilities that retailers should specify when evaluating SEM applications. The top-level SEM functional footprint includes the following:

- Corporate authoring tools to create store-level task execution plans, from project/program-class templates that prescribe options for configuring a particular project's tasks; access location, merchandise, brand, and other hierarchies and calendars for assigning stores, associates, products, and projects through time; access planning-level associate capacity forecasts by role and skill; and visibility to space for product placement, live demonstration, and in-aisle distribution of digital Advertising, Marketing, and Promotion (AMP) content across private broadcast networks
- Enterprise tools to publish execution plans, task assignment and delegation, supervision domains, and escalation paths, based on secure, definable role administration that can include trading partner roles and permissions
- Handheld functionality to provide near-zero operational cost of capturing near real-time project status and future support for Radio Frequency Identification (RFID) and Electronic Product Code (ePC) tags applied to product, signage, displays, and other physical assets for automated status capture
- Exception management tools, including configurable tolerances to drive alerts through supervisory domains, escalation paths, and drillable scorecards, likely using a traffic signal metaphor to view exception status, notes, and workout proposals
- Analytic tools to measure program results and performance of like projects, stores, departments, staff, and vendors, and alternative hierarchies through time to identify patterns indicating best performance improvement opportunities and leverage points
- A feedback loop to improve project and program designs to enhance authoring, publication, and exception management tools



These capabilities are a stretch today for the following reasons:

- No vendor in the SEM space provides all of the functionality that retailers need to plan and execute in-store tasks for chainwide projects and programs; however, early adopters expect significant benefit from first-generation SEM.
- Key connections between SEM, WFM, and other high-performance store functionality aren't yet available.

- SEM requires an IT infrastructure that many retailers lack today—a high-bandwidth Wide Area Network (WAN)/Local Area Network (LAN), in-store wireless LANs, and browser-capable desktops and handhelds in stores.

Nonetheless, we expect broader deployment of SEM for the following reasons:

- Early adopters will reward application and integration vendors that fill the first two gaps.
- Retailers will realize that SEM is the killer app to justify store IT infrastructure investment, particularly improving connectivity to and throughout the store.

Web-based WFM supports new productivity improvement strategies

As we publish this Report, we are in the final stages of completing research on the evolving capabilities of WFM application vendors and leading retailers' plans for deploying them. The following preliminary conclusions of that research are worth noting now:

- Web-based WFM applications support above-store forecasting, scheduling, and deploying critical resources—typically skilled positions in short supply or required for temporary assignment beyond their home store; examples include grocers operating multiple stores within reach of a common pool of butchers, drug store chains with similar store location density within reach of pharmacists, and retailers who need to temporarily staff new or poorly performing stores with experienced associates from nearby stores.
- Retailers deploying Web-based WFM applications expect to improve staff productivity and hourly associate tenure by providing self-service support for maintaining schedule preferences, swapping schedules (subject to business constraints, seniority, union rules, and corporate policies), requesting time off, and other administrative activities.
- Central administration and management of WFM constraints and objectives will improve store-level compliance to corporate-defined best-practice labor budgeting and scheduling.

Deployment and Integration Services

Companies implementing SEM and HSM will need deployment and integration services. Early adopters and others have utilized Syntegra, a consulting and systems integration firm. Its retail experience includes infrastructure design, implementation, and support, technology-related store launch and refresh services, mobile Point-of-Sale (POS) implementation, point-of-service application integration, and workflow development.

Application vendors will expand their support of HSM

Several vendors presented in Table 1 have given AMR Research evidence that they are in the process of extending their functional footprint. Though **JDA Software** or **Retek** currently offer only limited HSM functionality, we expect that both companies will extend their modest coverage within the next year:

- JDA's initial focus for *Cadence*, its HSM application, has been within the SEM footprint; given its penchant for acquisitions, expect JDA to buy into a broader footprint soon. Its store portal is a good platform for collecting and distributing Key Performance Indicator (KPI) metrics.
- Retek and StorePerform Technologies share a common board member and a key account. Entering the HSM space would complement Retek's ongoing rollout of *Integrated Store Operations*, which now supports basic time and attendance and scheduling.

We anticipate the following near-future developments from other vendors in this space:

- **IBM's** *Dynamic Workplace* initiative already includes Radiant Systems as an Independent Software Vendor (ISV). It will add other HSM ISVs this year.
- **Lawson** supports knowledge and learning management.
- Park City Group has embedded HSM functionality into its *ActionManager* suite, extending the WFM functionality to include components like task management and a manager's dashboard.
- Radiant Systems will become a more attractive option for retailers seeking broader HSM capabilities as early adopters validate its functionality on its Web-based *6e* platform and it builds out learning and knowledge management functionality integrated to WFM. Its recent partnership with **Labor Solutions** to deliver *LaborWise*, a turnkey *6e*-based WFM ASP application for small retailers, should generate high-margin revenue.
- Later this year, SAP will release a Web-based WFM solution that adds centralized planning, control and visibility, a significant advance over *StaffWorks*.
- France-based **TempoSoft** will be relegated to the sidelines of the North American WFM market if it fails to address its early customers' dissatisfaction, and complementary application vendors steer clear as they consider moving into the space through acquisition.
- As Timera completes delivery of Web-based *Enterprise Workforce Management* to two key grocery clients, it is also building out HSM functionality in its *Performance Dashboard* module.
- Expect Tomax to enter the SEM space on two technologies—**Oracle's** and *Lotus Notes*—and to announce a new time and attendance partnership.
- **Unicru**, following a recent partnership with Radiant Systems, will extend its attribute-based capability to predict an applicant's tenure to the ability to predict the person's performance in additional dimension, such as revenue generation in assisted-sales formats.
- Workbrain is extending its WFM functionality with forecasting and schedule optimization driven by a mixed-integer programming engine.

Recommendations

Successful realization of best value from HSM strategies requires changing relevant personal, department, and corporate goal-setting, performance measurement, and role definitions in addition to aligning enabling functionality against immediate, short- and longer-term store performance improvement opportunities. IT and store operation organizations should ensure the following:

- Immediately align your three-year store management IT strategy with the AMR Research HSM blueprint.
- Within that IT strategy, deploy WFM, if you haven't already, and if you have, deploy SEM to improve store-level

execution of corporate projects and programs.

- Consider migrating to Web-based WFM by assessing the incremental value of functionality only possible from Web-based applications, vendors' migration of requisite functionality from client-server to Web-based architectures, and their demonstration of scale to handle organizations of your size and complexity.
- Grocers and other retailers plagued by the cost, inferior associate productivity, and substandard customer service caused by exceptionally high store associate turnover should deploy applicant screening functionality provided by vendors like Unicru.

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