



RETAIL SYSTEMS | SUPPLY CHAIN

# TECHNOLOGY & LOGISTICS

## TOTAL WORKFORCE MANAGEMENT

Retailers are turning to increasingly sophisticated and all-encompassing workforce management systems to manage their labor resources

By MICHAEL GARRY

As food retailers' second-largest cost after products, labor has always been a huge point of interest. But the labor strife that occurred in Southern California in 2004, as well as the continuing battles between unions and non-union employers like Wal-Mart Stores, to say nothing of the turnover and shortage of store employees, have all conspired to make labor an even more critical topic for retailers.

Can technology help bring order to the chaos? It's certainly no panacea for this complex human issue, but workforce management software continues to evolve in ways that may prove highly beneficial to retailers.

Retailers have been using applications to schedule employees and track time and attendance for years. Wal-Mart Stores schedules its vast U.S. workforce, comprising about 1 million employees, using scheduling software. In fact, the Bentonville, Ark.-based giant has run into some labor issues in Florida as a result of some stores failing to use the scheduling system (see story, next page). Store managers

using intuition and experience tend not to be as effective in scheduling employees as impartial computers using advanced algorithms.

Now, however, many retailers, supported by their technology vendors, are beginning to see workforce management in broader terms than just scheduling. The new breed of workforce management technology also integrates everything from recruitment, human resource functions and labor standards to task management, training and traffic counting.

"It used to be a one-off process," said Gale Daikoku, research director, retail for Stamford, Conn.-based Gartner's Industry Advisory Services. "But now retailers say they need a total solution that ties all [workforce functions] together."

No single vendor provides all these applications, so it's up to retailers to integrate them into a seamless whole. Indeed, retailers have a lot of systems to choose from. According to IHL Consulting, 181 companies provide labor scheduling software and 18 supply workforce manage-

ment applications.

According to a Gartner report written by Daikoku and colleague James Holincheck, greater associate retention can result from use of more integrated, Web-based workforce management tools. Moreover, the report said, more robust scheduling tools "can deliver labor savings of 2% to 10% with no reduction in labor coverage."

With results like these, it's no surprise that the report predicts that "workforce optimization tools will be a top priority in the next two years." Last year, in a webinar sponsored by Kronos, Rob Garf, retail analyst for AMR Research, Boston, stated that 61% of retailers currently use workforce management software and 27% would replace or upgrade it in the next 12 to 24 months.

### HANNAFORD'S MIGRATION

One retailer that has been extremely proactive in upgrading its labor management systems is Hannaford Supermarkets, Scarborough, Maine, which operates more than 140 stores in the Northeast and handles many IT operations for sister Delhaize company Kash n'

Karry/Sweetbay. In the past year and a half, the chain has developed engineered labor standards for its front-end and deli positions as well as other departments using the StandardsPro application, from H.B. Maynard, Pittsburgh.

Labor standards give retailers a handle on how much time to allot for various store functions. Standards can be adjusted by the store to meet particular situations, such as store size, layout and local competition. "Hypothetically, we might need 10 hours of front-end labor for every \$1,000 of sales at the front end or a minute for every deli sandwich we need to make," said Mike Farago, process improvement specialist for Hannaford.

Labor standards are one of the factors that retailers are calling upon to supplement their labor scheduling systems. Hannaford, for example, feeds its standards information for deli and front-end to its eForce labor scheduling system from Kronos, Chelmsford, Mass., to create employee schedules, Farago said. Hannaford allows its individual stores to

compute their own department forecasts and employee schedules, unlike other retailers that have taken a more centralized, headquarters-based approach.

But before Hannaford looks at incorporating labor standards from other departments like bakery and meat into its scheduling system, the chain plans to finish migrating from eForce to Kronos' latest workforce management system, Workforce Central, version 5.1, part of the Kronos for Retail package. "We just finished our 'gap analysis,'" said Farago. "We're in the process of building the database and configuring payroll, scheduling and the business structures." The work is being done internally by Hannaford with assistance from Kronos.

With its multi-department approach to workforce management and use of labor standards, "it's fair to say that Hannaford is ahead of the curve" when it comes to labor technology, said John Anderson,

manager, retail industry marketing for Kronos.

Both Workforce Central and eForce integrate with other applications like the point-of-sale, pharmacy, HR and scales. However, Workforce Central also has the advantage of being Web-based, Farago noted. The flexibility of the Web-based system will enable Hannaford to easily schedule associates for multiple departments within a store or schedule associates for a new store opening by drawing from another store.

A critical part of ensuring the successful rollout of a complex workforce management system is a tight partnership between the productivity and labor analysis department and the IT department, Farago said. For example, such systems require various data feeds; IT needs to validate the data, maintain interfaces and make sure that enough bandwidth is available at a given time before the data can move into the schedule, he



Mike Farago, Hannaford Supermarkets

explained. "You've got to communicate to IT what you are looking for."

### BI-LO'S NEW STANDARDS

Kronos' Anderson said he is seeing labor standards used more around the industry. Bi-Lo, Mauldin, S.C., is in the midst of a six-month effort to create and validate new labor standards for all its departments, also using H.B. Maynard's StandardsPro system, according to Billy Watkins, Bi-Lo's labor applications manager. "Our No. 1 priority now is to replace time-study standards with engineered standards," he said.

The StandardsPro system, which H.B. Maynard is updating later this year with the release of StandardsPro for Retail system, allows Bi-Lo to employ a "methods-based approach" that captures ample details about supermarket labor. "If there is a slight difference in the way something is prepared, you can capture that," Watkins said.

If the chain decided to change a chicken wing program in some way, for example, "we're able to simulate

what the time differences would be based on the method steps required," Watkins said. "We can see the impact on labor costs and decide if it's a value proposition."

In fact, next month Bi-Lo plans to incorporate the new labor standards into its labor budgeting process, Watkins noted. For budgeting, Bi-Lo is testing the PlanStaff Manager system from H.B. Maynard. Following that, the chain expects to integrate the standards into its workforce scheduling system from BlueCube Software, Alpharetta, Ga.

Watkins said that a Bi-Lo store has between 300 and 500 activities, each of which gets a standard time period. In developing labor budgets, that time is multiple by the sales volume to determine how much labor time "the store earns," Watkins said.

The detail contained in Bi-Lo's new standards will "give managers additional tools to manage labor," Watkins said. "They'll know where to put their resources." This could mean improved customer service and in-stock levels, he said.

## Wal-Mart's Scheduling Snafu

BENTONVILLE, ARK. — Wal-Mart Stores here relies on labor scheduling software to schedule many of its 1 million employees across the U.S. But when about 30 stores in central Florida stopped using the scheduling software, the retail giant ran into some labor difficulties.

The stores, in the Tampa, Orlando and St. Petersburg areas, were highlighted in a Sept. 3 New York Times article, which said that nearly 200 of the stores' current and former employees had formed a new group, the Wal-Mart Workers Association, to protest Wal-Mart's employment practices. In particular, the group claims that Wal-Mart was reducing working hours from 40 a week to 34, 30 or fewer, jeopardizing some workers' health benefits. The group's sponsors include the United Food and Commercial Workers Union.

Dan Fogleman, a spokesman for Wal-Mart, told SN the problem stemmed from the stores' failure to use the automated scheduling and "plugging in their own shifts that don't match our emphasis on helping customers." Those stores are now being "steered back" to using the software, he said. Upon returning to the scheduling systems, the stores schedule to meet customer demand, which could result in some hour reductions, he noted.

Workers who are flexible about their hours have a greater chance to avoid reductions, Fogleman said. Employees who consistently work fewer than their designated hours can "speak with their managers about what needs to happen" to recover lost hours, he said.

— MICHAEL GARRY

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