



# Discovering The Real Return On Store Execution Management

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by Matt Pillar

You can't predicate the return on an investment by the perceived need for that investment; it's just not good business. However, looking at recent survey-based retail industry research and talking through pressing issues with retail execs, one might feel compelled to rush toward an investment in SEM (store execution management). The data provides a clear indication that relationships between the brand, associates, and customers are at the nucleus of retailers' current greatest needs, and it reveals that many believe SEM provides the missing link. Improving and leveraging employee productivity is key to meeting the demands of the new consumer, and meeting the demands of the new consumer is key to enabling sales and protecting the brand.

According to the RSR Report *The Customer-centric Store 2010: How Retailers Engage Tech-enabled Customers*, "Improving customer service while holding the line on payroll costs" is the prevailing concern of mid-to-senior level retail executives (49%) for the second year in a row, followed closely by, "The need for more consistent store-level execution" (45%), which also ranked second in 2009. Among retailers with \$5 billion or more in annual sales, 88% said making employees more productive is their top priority. Further, acquiring tech-based systems that facilitate these needs by educating or empowering associates was identified as a top priority by 58% of RSR's "winners" (those retailers posting more than 3% year-over-year comp store sales growth).

Clearly, there is a strong desire for the kind of store-level execution that both maximizes the labor investment and delights customers. But, has anyone measured the return on that kind of execution? Specifically, are there stated benefits of investing in SEM systems, or are these investments made on conjecture due to the overwhelming perception of the need, never to be measured or analyzed? And finally, how *do* you place a value on the increased efficiency of store-level personnel, namely your store managers, who play the role of best seller, store cop, head of customer service, and more?

## ***How Do You Measure Store Execution Success?***

There are two primary reasons for the lack of real ROI statements on SEM; it's simply difficult to measure, and there are very few benchmarks. It's difficult to measure because there are so many moving variables in the equation, and there are few benchmarks because retailers are rarely aware of their task noncompliance rates, much less the *cost* of that noncompliance. But if we consider that SEM success or failure will eventually be predicated by associate compliance, we can begin to break down the

true value of the SEM investment. Let's begin with the labor force itself.

Labor is a retailer's largest controllable expense, and even among small-to-midsize companies the labor force represents the wildest variable in store-level execution. The ability of your associates to execute tasks on time and as prescribed is the valve that allows store execution to flow freely or altogether shut off.

As RSR puts it, consistent store execution is a return on investment in employees. To be clear, that's not to say consistent store execution is inherent in the labor force itself; rather, consistent store execution happens when you *invest* in that labor force. One associate-level investment that inarguably pays big dividends is that which retailers make in the systems that enable and empower associates to efficiently do their jobs, as prescribed, for the benefit of the company.

Systems investments are therefore necessary to maximize the labor investment. Among the most important of these systems are those developed to manage the following:

- **Tasks.** A task management application that allows the head office to create tasks for stores and associates and track detailed progress of task completion is imperative. Corporate strategy simply can't be executed efficiently and effectively without it.

Drawing from the experiences of retailers that have implemented the SEM solution *Store Ops Center (SOC)* from Opterus, we see across-the-board task completion improvements of 40% or more, putting every retailer running SOC at or above 90% task compliance. Let's make the assumption that store-level tasks initiated by the head office are designed to build additional sales, improve the customer experience, reduce costs, or any combination of these, as we shouldn't otherwise be asking stores to execute these tasks. Deploying systems that ensure execution of the fundamentals guarantees a substantial payback.

Task management applications also improve employee morale and retention. Town Shoes COO Lewis Feinstein calls his deployment of SOC "the most well-received program" his company has rolled out. "Our store managers appreciate the control they've gained by virtue of their energy is being directed by clear tasks and deadlines." As measured in store labor hours, this 110-store chain attributes a 4% efficiency gain to its task management system. This aligns with the findings of the comprehensive SEM study *Retail Store Execution: An Empirical Study* by The Wharton School at the University of Pennsylvania, which also suggests that such an SEM-enabled reallocation of the store payroll budget will yield a 2% to 3% increase in sales with no increase in cost.

- **Special issues.** All retailers encounter ad-hoc support or operational issues that must be treated with extra care and rapidly resolved. An effective store execution management system features the flexibility to address these issues by designating them to the care of an appropriate department and/or regional manager.

Most retailers rely on e-mail to address special issues, but e-mail lacks traceability and accountancy. Again using SOC as our example, special issues initiated by stores or the

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head office in an SEM platform are treated as “open tickets” that may be linked to tasks, are reported on daily, and cannot be closed until resolution is found. As a result of the accountability and traceability built into its SOC implementation, 127-store Roots Canada is actually *eliminating* store-level e-mail altogether.

■ **Training.** A consistent training effort is a public statement of your investment in the retail labor force. Training also leads to huge returns in the form of better skilled and more loyal employees. The Society For Human Resource Management consistently pegs the cost of hourly retail labor turnover in the neighborhood of \$4,000.00 per associate. In an industry that turns on the order of 80% of its workforce annually, the cost of retail employee turnover is staggering.

Training modules within an SEM platform allow retailers to mitigate the risk of turnover and improve the quality of their workforces by creating and assigning a variety of online tests. Many retailers deploy associate testing, but few do it in a way that eliminates paper and manual intervention while facilitating instant electronic reporting.

■ **Time.** Time management is the common control that weaves through the execution of all store-level tasks. Effective store execution management applications give store-level associates and head office executives a calendar view of assigned tasks and events.

In SOC for example, the calendar serves as more than an at-a-glance reference. Users can interface with the calendar to dive into the task management application and track progress on events created at the head office or store levels.

At the head office, an interactive calendar improves the efficiency of store activity planning by providing a comprehensive view of events. At the store level, it improves efficiency by giving associates an at-a-glance reference to their daily, weekly, and monthly task progress to ensure they are in compliance.

■ **Communication.** Effective store execution management is about more than doling out tasks and holding associates accountable. It’s about the feedback loop. But traditionally, the collecting, consolidating, and analyzing of employee surveys and forms has been a chore wrought with overhead in the form of time and labor.

A store execution management platform should have an integrated, electronic, and automated means of disseminating surveys and forms to associates, as is the case with SOC. Forms and surveys are associated with tasks and completed online, and forms data is pulled back to the head office automatically or on-demand in CSV, XML, or a custom data format.

Town Shoes leveraged forms functionality for the collection of customer e-mail addresses at the POS, which is a task it manages in SOC. Rather than suffer the expense of custom POS integration, it uses forms in SOC to upload the addresses. Previously, collected addresses were e-mailed from stores to the head office and manually rekeyed. Town Shoes’ Feinstein says what previously took six hours to upload now takes seconds.

■ **Documentation.** Where there is no documentation, there is no compliance. But when you rely on disparate e-mail and paper-based approaches to the dissemination and collection of documentation, you give up much more than management of com-

pliance accuracy. You also lose efficiency.

Your store execution management platform should offer a lean and electronic means of disseminating and collecting reference and procedural information such as tracking forms, manuals, workbooks, tests, and evaluations. With built-in document management, SOC allows retailers to manage document versions and make them available to associates on-demand.

Elimination of e-mail and paper-based documentation management improves associate compliance and accuracy. The elimination of paper forms and revisions at Town Shoes resulted in the reallocation of a full-time employee who had previously been tasked with the manual management of documentation.

■ **Compliance Reporting.** Spot-checks of task execution are the de-facto standard in retail, but they're not enough to ensure compliance to sales-enabling tasks. In virtually every case where a retailer implemented a store execution management platform, compliance rates as measured by well-intentioned spot-checking district managers were in the 50% to 75% range. Deployment of SEM improved that rate to 90% or better.

Effective compliance reporting in a store execution management system gives all levels of management an on-demand, real-time view of task progress and compliance to corporate standards and directives. This is often most efficient and cost-effective when deployed via a hosted, or Web-based SaaS model, as is the case with SOC by Opterus. The solution is administered by the vendor partner for a monthly fee.

### ***Setting The Benchmark For SEM Success***

Calculation of the financial return enabled by any store system begins with the cost to deploy. Today's store execution management platforms are increasingly deployed via the SaaS (software as a service) model, which dramatically reduces the cost of implementation. The SOC is offered as a hosted, Web-based application that requires no software rollout and no maintenance on the part of the retailer.

Equally important is the ability to establish a baseline for improvement and set clear key performance indicators at the onset of your SEM implementation project. This requires some up-front analysis of the inefficiencies of your current methods of store-level task, event, and communication management. Pay close attention to how ineffective it is to communicate, track, and validate task assignment, progress, and completion via e-mail and paper-based means. Scrutinize your current compliance rates by charging district, store, and department-level managers with more thorough reviews of task completion and accuracy.

This analysis will likely reveal that your communication of tasks is, as RSR lead analyst Paula Rosenblum puts it, "asking stores to put ten pounds of stuff in a five-pound bag." You won't know which five pounds of stuff is getting included, which is not, and why unless you seek to understand, track, analyze, and continuously improve with a platform like SOC.

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**About Opterus:** Opterus Inc. is a privately held software company, founded in 2006 and based in Ontario, Canada. Our mission is to provide an efficient, cost effective store information and execution management tool that increases productivity and improves retail enterprise communication. All of this is achieved through an easy to access, easy to implement solution for any retail environment.

Opterus' objective is to become a leading technology provider to the retail market in North America offering real value to our customers. Customer satisfaction and loyalty are a must. Opterus is run with integrity and a strong commitment to our purpose and to our customers. Our business philosophy includes creating a quality solution that has immediate value for our customers, and providing a working environment that encourages open communication, teamwork, and a sense of accountability as well as respect. Contact Opterus at [info@opterus.com](mailto:info@opterus.com) or (519) 853-0442.

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