WorkJam Whitepaper

Factoring People into the P&L Equation: **Retail Managers Reveal the Drivers and Dividends of Hourly Employee Engagement**

introduction

Hourly labor has always been the lifeblood of the retail industry. In 2015, more than 11 million Americans held hourly retail trade jobs – accounting for the majority of the nearly 16 million in the retail trade workforce. [1,2] Over the last two years, hourly retail employees have also become the focal point of boardroom conversations, news headlines, political discourse and heated regulatory debates.

Throughout 2016, much of these discussions have parlayed into public and private sector action. In July, minimum wage hikes went into effect across 14 U.S. cities, states and counties (including the District of Columbia).[3] Despite these local wins, government officials, industry associations and community groups still press on in the fight for a federal minimum wage increase. While a handful of retailers such as Costco and Walmart have instituted wage hikes in response to nationwide worker demand, razor-thin margins and an increasingly competitive landscape prohibit many retailers from making similar changes.

Compensation is only one facet of the discourse around hourly retail associates. Numerous state governments have consistently pressured retailers – from American Eagle Outfitters and Coach to Forever 21 – to curb unfair shift practices such as on-call scheduling, last-minute assignments and "clopenings." This exposes retailers not only to legal liability, but also to reputational risk for those being negatively name-dropped in the press. In the summer of 2016, Starbucks employees launched an online petition against the coffee chain's labor cuts and understaffing issues, causing a global media firestorm.[4]

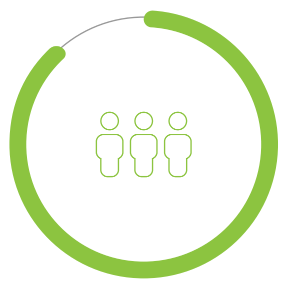
Precedent-setting local legislation such as San Francisco's Retail Worker Bill of Rights (which sets strict guidelines for how much advanced shift notice retail employers must provide staff) has earned national attention, and spurred similar efforts in Washington D.C. and Seattle.[5,6] Such regulations (though a step in the right direction for protecting workers' rights) strip retailers' of the tactics they've depended on to stay agile, and maintain customer service levels while also preserving revenue.

Each of these phenomena directly impacts the productivity of hourly retail workers and their managers, as well as the profitability of their organizations. Store, district and regional retail leaders sit in the crossfire of disgruntled and disengaged employees (who need more equitable working conditions) as well as corporate leadership (who are under pressure to preserve the bottom-line and brand reputation). At the end of the day, it's frontline managers who have insight into all sides of this equation, where the bottlenecks are and where improvements are needed most.

WorkJam spoke to retail store, district and regional managers across the U.S. to understand the biggest obstacles they and their hourly associates face, and quantify the revenue impact of these challenges. Here's a look what we found:

Only 17% of managers feel their stores' employees are very motivated and engaged

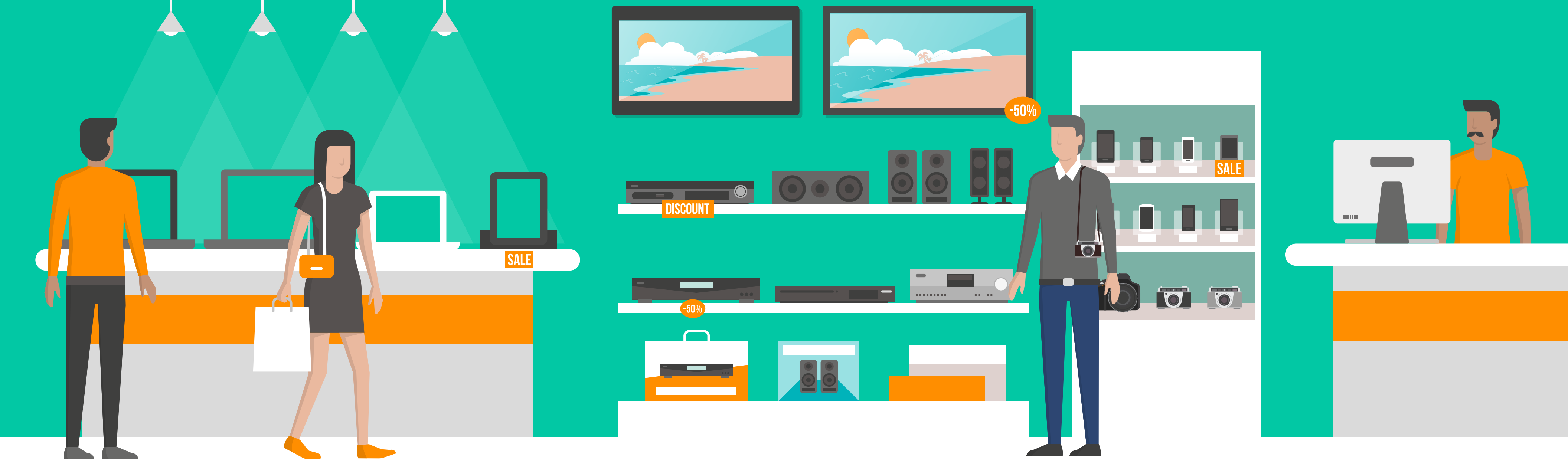
62% of managers say employees have quit their stores due to scheduling conflicts



89% of retail stores are understaffed each week

63% of managers say that reducing turnover by as little as one associate per month could lift monthly revenues by at least six percent

70% of managers regularly log additional hours to handle administrative tasks



low engagement and high turnover leave money on the table

Employee engagement is an industry-agnostic issue. Across sectors, business leaders are increasingly making the connection between an engaged workforce and the financial health of their organizations. Different studies have attempted to measure this relationship, proposing that even a five percent bump in worker engagement correlates with a three percent jump in revenue growth, or that an engaged team can boost revenue as much as 18 percent.[7,8]

Talking to retail managers, it's clear that they struggle just as much, if not more than, managers of salaried, desk-bound workers to keep their people happy and engaged. Almost all managers (89%) say it's a challenge to maintain this level of morale, which may be why only 17 percent say their stores' associates are very motivated and engaged.

The ramifications of low engagement are palpable: employees who aren't invested in their job responsibilities or motivated to go to work each day won't stick around for long. Almost half of retail managers (43%) say that at least five percent of their staff voluntarily quit in an average three-month period. This trend can reflect poorly on managers' performance, and their stores' financial health: 47 percent say that their employer sets store turnover goals, but the majority of this group (78%) has trouble meeting these goals. Overwhelmingly, 81 percent of managers say turnover detracts from their ability to hit their stores' sales objectives.

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retail managers whose employer sets turnover goals

retail managers who have trouble meeting turnover goals

On the flip side, an engaged frontline workforce that holds an emotional commitment to the company can have a significantly positive influence on a retailer's profitability. Of managers whose employees aren't very engaged, 38 percent feel that higher engagement would help their stores unlock up to five percent in additional revenue. Fifty percent of managers with apathetic or unmotivated teams think an engagement boost could help them yield (at least) up to 10 percent more revenue.

Engaged employees have more reason to stay with an employer for the long haul – another dynamic that directly affects retail sales. Almost all managers (92%) agree that reducing turnover by as little as one associate per month would spur profits. In fact, 63 percent of managers think it could lift monthly revenues by at least six percent.

Managers who agree that reducing turnover rates by at least one associate per month would spur profits.

92%

Simply identifying the financial benefits of employee engagement, however, isn't enough to make a dent in retailers' day to day. In order to achieve these bottom-line results, first we need to understand the root causes of retail employee disengagement.

staffing and scheduling headaches shed light on traditional WFM systems' shortcomings

One of the largest barriers to retail employee engagement also happens to be one of the most crucial elements to the hourly worker experience: scheduling. As retail managers expressed, the tools and processes they're given to maintain staff schedules seem to be inflicting more harm than good – a pain point that manifests as low morale, superfluous labor spend, higher attrition and inferior customer service quality.

an imbalanced system

For better or for worse, workforce management (WFM) solutions have become retailers' go-to solution for shift management. In many cases, however, these platforms' scheduling algorithms alone aren't enough to accommodate retail stores' shift management needs. Today, 72 percent of retail managers are not very satisfied with their WFM system's ability to create schedules that accommodate both store labor needs and associates' preferences. The same amount is not very satisfied with the technology's capability to generate shift assignments that require few changes mid-week or month. Case in point: 71 percent of managers regularly field staff requests for modifications to their existing schedule.

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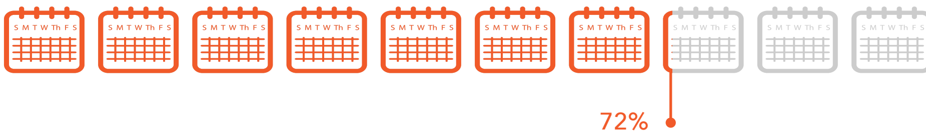

Failing to produce balanced schedules frequently leads to some of the key drivers of employee disengagement: under- and overstaffing. Too few associates on the sales floor can leave employees feeling stretched too thin, while committing to too many hours in advance and then sending employees home early can impact their ability to make ends meet and drive turnover. Thirty-four percent of retail managers currently deal with overstaffing at least a few hours each week, and 88 percent say their stores are understaffed on a weekly basis. According to almost half (46%) of managers, their stores suffer from understaffing at least 10 hours each week.

No matter how rampant the issue, however, the consequences are clear. The majority of managers who regularly contend with understaffing (97%) say it hurts sales. More than two-thirds (68%) of this group feels that understaffing has at least a six percent negative impact on store revenue. The effects of fragmented staffing don't stop at sales; in the case of under- and overstaffing, a store's customer experience and brand reputation suffers, impacting future business.

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managers who say understaffing hurts sales

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the cost of righting a wrong schedule

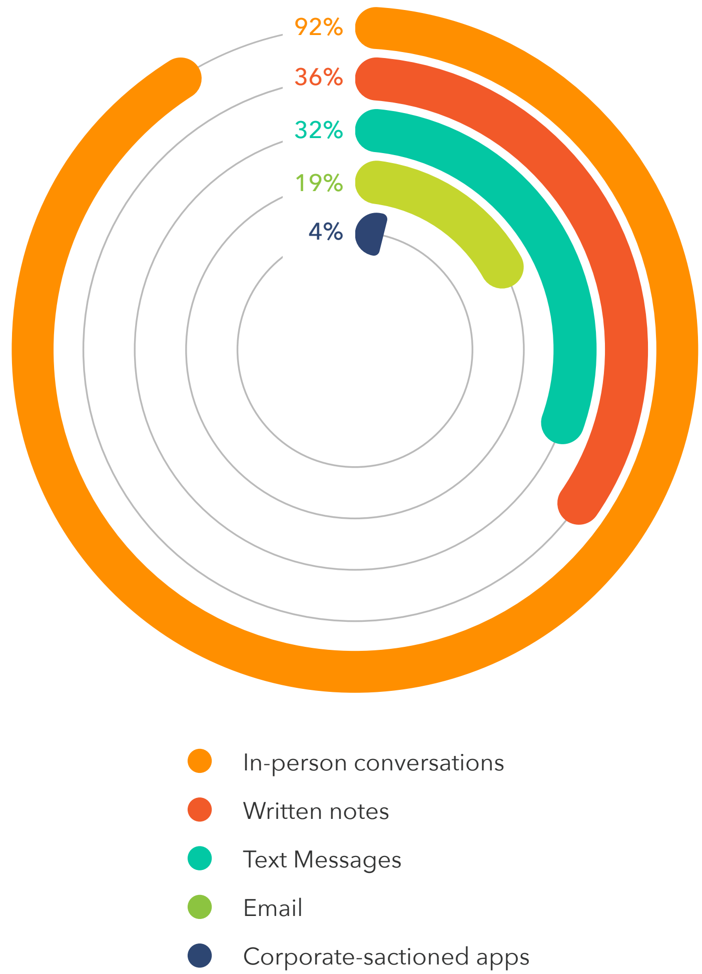
Inefficient scheduling (and insufficient tools) also fuels a vicious cycle of employee turnover and manager overtime costs. Sixty-two percent of managers admit that associates have quit over ongoing scheduling conflicts, a trend that forces retailers into spending more on hiring and training replacements.

And for 70 percent of retail managers, clocking extra hours to handle administrative duties like reassigning and swapping shifts has become the rule, not the exception. Within this majority, 42 percent log an additional one to three hours each week, while 39 percent log four to six in order to get tasks done.

70% of retail managers clock extra hours to handle administrative duties like reassigning and swapping shifts.

The added scheduling burden may also be attributed to retailers' persistent reliance on manual communication: 92 percent of managers say in-person conversations are their main mode of interacting with hourly associates. In comparison, a niche minority of managers (4%) say their stores use a corporate-sanctioned app to facilitate internal communication. Retailers are quickly running out of time to address the outdated processes and inadequate tools that contribute to managers' extra workload. With the new U.S. overtime threshold going into effect sooner rather than later, the hours spent rearranging schedules can become exponentially more expensive.[9]

Retail Managers' Primary Methods for
Communicating with Hourly Associates



Perhaps unbeknownst to retail corporate leaders, store managers strongly feel that better technology and tighter internal controls could not only mitigate these costly issues, but boost sales along the way. More than three-quarters (76%) of managers believe they'd be more effective leaders if their hourly associates had access to an app that let them view and modify shifts directly, and get the necessary approvals.

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Equipping hourly workers with more self-service tools can automatically free managers to spend less time on non-revenue generating activities in the back office. Forty-four percent of retail managers feel that if they had one more hour to spend on the floor, they could help facilitate at least a six percent rise in incremental sales.

When WFM Technology Isn't Enough

Workforce management solutions have become a staple in the retail sector – primarily for store traffic and labor forecasting – but this technology alone is not omnipotent. The effectiveness of many WFM platforms tends to stop at shift assignments, failing to support schedule communication or reconcile shifts with both associates and managers' needs.

A WFM system's ability to build schedules that align with store goals and employee demands reverberates across multiple aspects of a retailer's operations. When WFM tools fall short, everyone loses.

How Insufficient WFM Systems Impact Store Operations

Managers who are not very satisfied with their WFM system's scheduling capabilities	All other retail managers
52% are understaffed 10+ hours each week	22% are understaffed 10+ hours each week
75% receive shift change requests after schedules are set	54% receive shift change requests after schedules are set
10% say their employees are very motivated and engaged	50% say their employees are very motivated and engaged

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corporate communication excludes the front lines

More than a logo or paid spokesperson, hourly associates are the true face of retail brands. These workers are the first people a customer sees and interacts with when they walk into a store, and typically the first to catch operational errors when they arise. Most managers (71%) agree that their organizations rely on hourly staff to serve as brand ambassadors, or living exemplars of their company values and ethos.

Despite the value retailers place on brand advocacy, most lack a communication structure that connects the front lines with the head office. Forty-six percent of managers say that the primary way their head offices inform hourly staff about new store processes, products and promotions is by communicating these details to managers only – who subsequently are expected to share updates with their teams.

In some instances, human interaction is minimal: 26 percent of managers say their companies convey this information through flyers posted in communal store areas. To the detriment of corporate and hourly employees, only 11 percent of managers say their organization has digital channels for frontline associates to access important information.

Given that corporate offices struggle to share important operational information with hourly workers, it should come as little surprise that most don't give feedback to specific frontline employees either.

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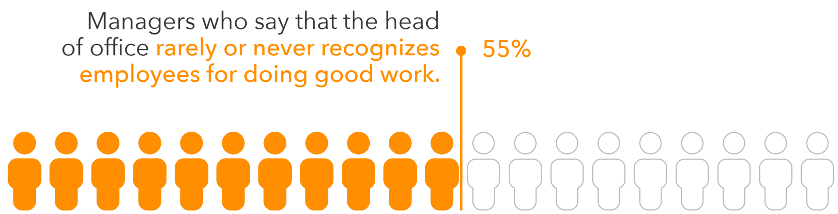
Fifty-five percent of managers say that the head office rarely or never recognizes employees from their store for doing good work – an unfortunate reality that exacerbates the retail disengagement issue. Hourly associates don't receive enough positive reinforcement, whether it's a shout-out in corporate communication channels or some form of recognition for a job well done.

If retailers want and expect hourly staff to champion their brands, they can't continue filtering critical information through middle management or manual processes. Almost all managers (94%) agree that more direct, two-way communication between the head office and front line about company goals, standards and marketing efforts would make them stronger brand ambassadors.



By perpetuating the cycle of filtering information through managers, retail organizations add responsibilities to already overburdened store leaders, lose consistency in their message, and risk alienating their hourly labor. Rather than unintentionally leaving hourly employees to feel unimportant or excluded from the broader company mission, retailers must pursue efforts to keep them connected and in the loop.

The Power and Potential of Retail Employee Engagement

Disengaged hourly associates are the product of systemic flaws in a retailer's organization – be it broken scheduling practices or patchy internal communication. On the other hand, high employee engagement correlates with a variety of major business benefits, from retention to optimized staffing levels.

Measuring the Influence of Associate Engagement

Managers whose employees are very motivated and engaged		Managers who struggle with indifferent or uninspired staff	
24%	are never understaffed	10%	are never understaffed
53%	field last-minute schedule change requests	75%	field last-minute schedule change requests
21%	report that five percent (or more) of their workers quit during an average three-month period	48%	report that five percent (or more) of their workers quit during an average three-month period
79%	say their corporate offices regularly recognize their store's employees for good work	38%	say their corporate offices regularly recognize their store's employees for good work

conclusion

Retailers don't have it easy. Leadership from organizations of all sizes have been tasked with navigating a business environment full of new obstacles, from adapting to e-commerce and in-store fulfillment to emerging margin pressures and evolving compliance demands. But before making significant strides in any of these endeavors, retailers need to rethink a more fundamental part of their operations: the way they manage their associates.

If left unaddressed, the dearth of retail employee engagement that plagues retailers today will undermine any efforts at innovation or customer experience improvement. Hourly employees' public push for better working conditions isn't something that will blow over. Employers that don't take a critical look at their scheduling and communication practices are bound to lose personnel and prospective customers. In this precarious scenario, retailers' revenue would ultimately suffer, leaving little capital left to invest in forward-looking initiatives.

High employee engagement is more than a feel-good corporate objective. It's essential to the retailers' future success, in terms of not only profitability but also their reputations and regulatory compliance. To that end, employee engagement isn't a matter of making overnight changes or checking off a box on a to-do list. Instead, it's about instituting the culture, processes and tools necessary to make the front line feel valued.

Insight from retail managers, who have privileged access into the perspectives of hourly staff and corporate objectives, offers a framework for how retailers can begin correcting course and the financial benefits of doing so.

To start, retailers must take nothing for granted. Retailers must reevaluate the limitations of their WFM systems, and embrace ways to address critical employee engagement requirements. Employers need to find technologies and processes that pick up where WFM platforms leave off, and that can address the gaps in retail scheduling and communication practices. Now is also the time to take a step back and assess whether or not philosophies established by the head office truly manifest at an operational level. If the answer is no, retailers may look toward centralized solutions that do a better job of motivating, measuring and rewarding meaningful employee engagement.

Hourly employees have, and will continue to lay the groundwork for any successful retail business. If retailers hope to thrive through their industry's evolution, they need to begin by engaging their most important asset.

methodology

During the summer of 2016, WorkJam surveyed 250 retail store, district and regional leaders across the U.S., from organizations with at least 5,000 employees. The survey was fielded online between July 14–20, 2016 via Qualtrics, and respondents were limited to those who oversee at least six direct reports.

About WorkJam

WorkJam is an employee engagement platform that runs standalone or integrated with existing workforce management systems to empower companies with shift-based and hourly workers to manage and optimize the entire employee-employer relationship life cycle with dynamic mobile schedule management, on-demand training and assessments, streamlined communication and employee recognition and reviews.

WorkJam drives down labor costs, lowers attrition rates, improves compliance, optimizes labor in relation to demand and improves the customer experience and sales with a happier, more engaged staff. For employees, WorkJam enables more control over their schedule and work- life balance, as well as presents the opportunity to maximize their earnings, develop skills, and advance their economic well-being. Learn more about WorkJam at **WorkJam.com**.

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