



white paper:

PERFORMANCE AT PEAK



PEAK PERFORMANCE

Each week, **50%** of a retail store's sales happens during only **20** of the store's open hours. Did you know that?

You recognize your peak times are busy, but would you be surprised to find that **half** of retail store sales happen during only a **quarter** of the store's open hours?

THE 50/20 RULE

While the 50/20 rule may vary slightly from retailer to retailer, observing and analyzing retail store performance over many

years and many clients has consistently proven the 50/20 rule.

While this is an indisputable fact in Specialty Retail, it requires a deeper level of understanding to turn the 50/20 principle into something actionable. It starts by being able to predict when those 20 hours will occur for each store.

Better Schedules Drive Measurable Improvements in Performance

Most current retail technology is capable of analyzing large amounts of granular data to forecast the customer patterns unique to a specific store for any week of the year.

Retailers that increase peak coverage by 10% increase Swing by 4-6%.

From there, advanced scheduling tools can combine this forecasted traffic curve with legislation and shift rules to produce an optimum schedule that mirrors the highs and lows of when customers actually step across the lease line.

This allows a retailer to accurately schedule the right number of associates as well as your best performing associates during the peak 20 hours of their business. As diverse as retailers are, and as varied the size and shape of their stores are, ensuring that the peak 20 hours are staffed properly is the most effective way to drive top-line performance.

PEAK HOURS MATTER TO ALL RETAILERS

There is also an unfounded theory that only high traffic retailers need to worry about staffing up during the peak hours in the week. Our experience contradicts this belief.

INCREASED PEAK COVERAGE = INCREASED SWING

While a low volume store with a small contingent of associates might not seem like a store that needs to follow peak coverage closely, in truth, missing a peak opportunity has a large impact on results. Multiple Associates working at one time is a rare occurrence in a low volume store. Missing peak coverage in this environment leads to a lost opportunity that cannot be easily recouped as the volume of foot traffic simply won't allow for it.

Conversely, effectively applying those few precious hours that a low volume store may receive in excess of minimum coverage can generate sales increases you may not have thought were possible.

Lack of Focus / Lack of Trust

So, if this makes sense and the tools are available, retailers should be knocking peak coverage out of the park on a daily basis right?

Sadly, that is not the case, and there are multiple reasons retailers fail to execute. The most common are:

- Reluctance to use science and instead rely on gut feel;
- No awareness of peak or a base assumption that peaks don't shift between stores or time periods;
- Scheduling for effective tasking instead of as a tool to drive sales.

“I Know Better” or, thinking that a simple retail model doesn't need to do much more than cut and paste the previous week's schedule remain common mistakes. This approach to scheduling ignores the evolution of customer patterns and effectively leaves money on the table during peak hours.

These misperceptions indicate a culture that sees schedule creation as an administrative task instead of as the vital first step in driving sales.

ALL STORES ARE THE SAME

While we know that a Downtown location and a Suburban Mall have very different customer patterns, some retailers are still 'setting' peak hours for all stores with a broad brush, thereby assuming each store has identical customer patterns.

We also find in our analysis that not enough emphasis is placed on the separation of Selling and Non-selling Labor. The most tell-tale sign comes when selling hours are pulled away from busy times and reallocated to slow times in order to perform tasks, thereby creating a very flat schedule.

This lack of focus on the importance of peak coverage leads to schedules that are built around tasks, other hunches or an intuition about the business that is grounded in neither fact nor science.

MEASURING PEAK

Does covering the peak hours really drive performance?

The objective of the Peak Coverage Assessment is to benchmark each store in a retail chain against each other in order to quantify the relationship between effective peak scheduling and performance.

To do this, we must be able to score both peak coverage and performance during Peak Segments (periods).

Peak Coverage scores are calculated for each store, with the score

representing the % of recommended coverage (as suggested by an advanced schedule system) that was achieved on the schedule during Peak Segments only.

Stores are grouped by coverage scores and then Year on Year and Sales to Traffic KPIs for each group are used to calculate the performance comparative.

PEAK COVERAGE AND KPI PERFORMANCE

In the following assessment, Peak Coverage Scores were used to group stores into High and Low Peak Coverage groups. The threshold used was 90% - that is, if a store scheduled at least 90% of the recommended hours during peak, that store was put in the High Peak Coverage group.

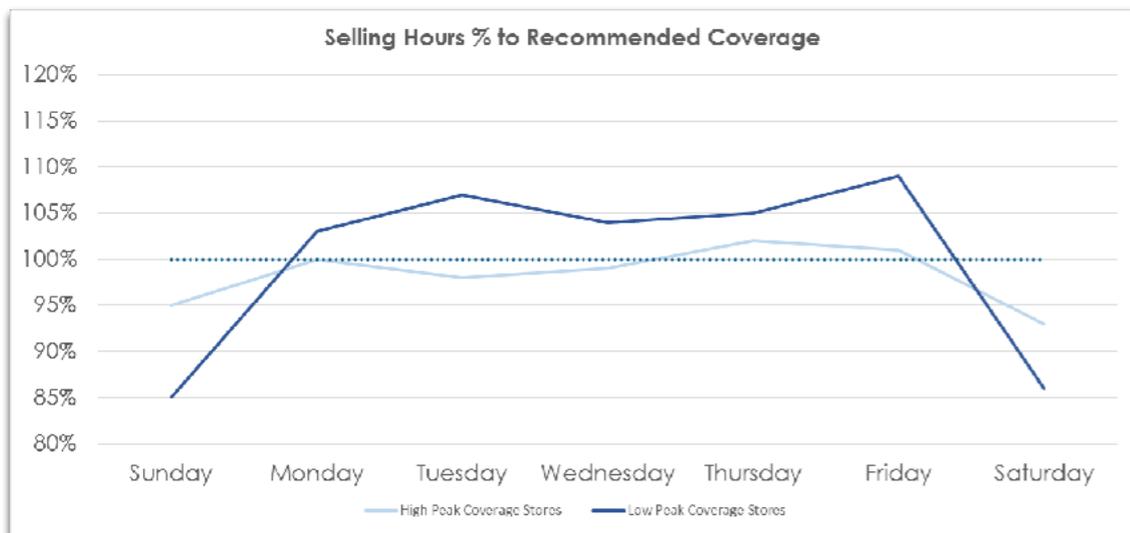
The performance assessment was then conducted by comparing the performance of High Peak Coverage Stores to the remaining stores to identify if improvement in Peak Coverage impacted performance.

KEY KPIS: VISIT VALUE (“VV”) AND SWING

Visit Value indicates the value of each customer entering the store (Sales / Traffic). An increase in VV is a direct result of an increase in Conversion, Average Transaction or both. “Swing” neutralizes the effect of traffic on sales ($\% \text{ YoY Sales Change} - \% \text{ YoY Traffic Change}$). A positive Swing indicates that a store is performing better regardless of traffic. These KPIs along with Sales, Conversion UPT and Average Transaction are used in the assessment.

KEY CONCEPTS

- Represents the % of recommended coverage that was achieved on the schedule during Peak Segments only;
- These groups are established by force ranking the Peak Coverage Score, and then dividing the stores into two groups. High Coverage stores are stores covering 90% (or greater) of the peak recommended hours during the analysis period. Low Coverage stores are below 90%;
- Eliminate stores with insufficient historical data to evaluate a change in performance from last year to avoid skewing results.



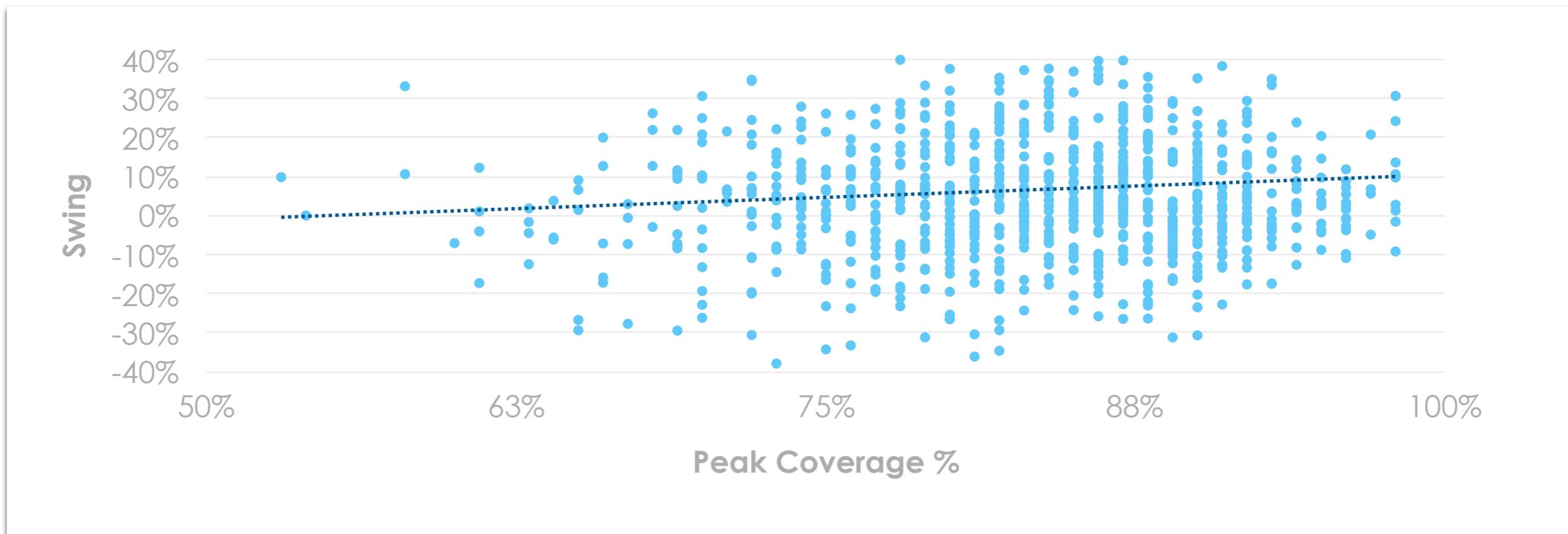
The graph above illustrates the common theme between High and Low Peak Coverage stores. Low coverage stores routinely pull hours into the middle of the week, away from the majority of peak segments on the weekends, in some cases repurposing selling hours to focus on tasks.

Further Analysis of Labor Statistics such as Average Shift length, People Per open Hour (PPOH), Availability % and other scheduling KPIs can help identify if the issue is related to not being **able** to execute, or not being **willing** to execute.

Overall there is little difference between the two groups on the variables that allow for flexible scheduling and the ability to hit good peak coverage stores. Typically we see that this does not appear to be a staff complement issue.

Labor Stats	Average Shift Length	Scheduling Flexibility %	Avail % - Peak	Sell %	SPH	PPOH	TPLH	% FT Sell Hours	% FT Total Hours
High	6.63	25.2%	66.9%	53.9%	\$261	7.9	7.6	57.9%	55.5%
Low	6.70	29.3%	65.8%	49.9%	\$298	7.4	8.9	54.7%	52.6%
Difference	(0.06)	-4.0%	1.1%	4.0%	-\$37	0.5	(1.3)	3.2%	2.9%

Most stores that we have analyzed are set up to cover peak segments equally. The fact that some do and some do not is related to either a gap in training or a belief that peak coverage is not as important as other priorities within the business. The good news is gaps in training or misaligned priorities can be coached, and if they are, results will follow



A 10% IMPROVEMENT IN PEAK COVERAGE % RESULTS IN A 4% INCREASE IN SWING

Analysis after analysis has proven that peak coverage has a correlation to KPI's such as Swing, Visit Value, Conversion Average Transaction size and ultimately Sales.



ATV

2-5% growth in ATV compared to low peak coverage stores



CONVERSION

Over 2% growth in Conversion compared to low peak coverage stores



VISIT VALUE

2-5% growth in visit value compared to low peak coverage stores



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