

# ANALYSIS

As retailers come to terms with the pressure of rising costs **Dan Murphy** examines the steps industry leaders can take to keep staff working at optimum levels



## How can retailers boost productivity in light of the living wage?



**C**utting store staff – the instinctive response from many retailers when looking to reduce costs – is both negative and counterproductive.

This is especially true as businesses operate in an era where consumers demand greater customer service.

Cutting the workforce – in the wake of the living wage – will also further unsettle remaining staff.

There are other options – both practical and holistic – that could improve profitability and would enable retail bosses to pay their staff even more than legally required.

Based on many detailed store productivity projects with leading UK retailers, Kurt Salmon knows that simple changes in both the staff labour and business operating models can improve profitability 12% to 15%, so the higher running costs can be absorbed without losing staff.

This issue of declining productivity is not just a retail problem – UK output per head lags behind all of its European competitors and there is a growing movement to address the problem.

**Ensure there is the right number of staff in each store – most retailers have staff in the wrong stores, the wrong departments**

### Three 'practical' ways to improve profitability

**1 Ensure each store has the right number of staff** – most retailers have staff in the wrong stores, the wrong departments and at the wrong time of the day. A few are making adjustments and looking to mimic the business model of the discounters where workers multitask and are assigned on the basis of need and footfall.

**2 Ensure store tasks are carried out consistently** – remove the variance between best operations and average/poor; by using the same/enhanced process Kurt Salmon has demonstrated that retailers could release 6% to 10% of store labour to be redeployed.

**3 Ensure staff are doing the right things** – typically 6% to 10% of store hours are wasted in non-productive tasks; supervisors commonly spend up to 60% of their time completing sales assistants' tasks. The administrative burden of managing inefficiency is extremely costly.

### The holistic approach

Transform the culture of the business so that staff are not concerned about who is going to be fired next but are highly motivated to perform and be productive.

There are some great examples of retailers managing to grow sales and profits at the same time as improving pay, conditions, and morale.

For example, Spanish supermarket chain Mercadona is one of the most successful retailers in Europe and pays 10% to 20% above the country's minimum wage.

Put a higher priority on the emotional wellbeing of staff, which will impact positively on both performance and the relationship with the retail brand and customers.

Retailers are still running both their store and online businesses as separate entities that have created embedded high costs and inefficiencies that cannot be addressed by simply reducing staff numbers.

There is considerable duplication of work in store and online operations. Store staff also now get work not just from the central retail operations team but also often from the ecommerce digital team and the overall impact is not understood.

Retailers need to step back and look at the entire business model and redesign the way all the different elements work together.

**Dan Murphy is a partner at Kurt Salmon**