WIPRO
Applying Thought

STORE LABOR OPTIMIZATION DRIVEN BY ADVANCED ANALYTICS

Wipro employs predictive analytics for Store labor optimization for a leading US retailer leading to enhanced customer experience and $100 million in estimated savings.

CLIENT BACKGROUND

The client is a leading US retailer with 2000+ stores and offers basics and differentiated merchandize at low prices.

INDUSTRY LANDSCAPE

The need for a superior customer experience is driving a massive transformation in the retail industry. Retailing is undergoing huge pressure on costs and hence improving employee productivity has become an imperative. Interestingly, store labor operations (trailer unloading, backroom stocking, promotion execution, pricing updates, customer service) mark the second largest pie on the retailer's cost, after COGS, amounting to around 7- 15 % of the sales. This is compelling retailers to rethink on their existing store labor allocation approach. Analytics has emerged as a key tool enabling retailers meet this strategic objective.

OPPORTUNITY

The dynamics of the industry currently challenge the client to maintain workload- workforce levels in tandem with the demands. The problem client faced was that the corporate sales forecasts, labor plans, and budgets did not reflect the on ground staffing, scheduling, and operational needs of individual stores. This lack of collaboration made it difficult for store and area managers to meet corporate goals regarding productivity, improving retail customer service, and sales. Hence, the client was looking to find an optimal balance between the store staffing level and revenue growth potential.

BUSINESS IMPACT

Estimated savings of up to
$100 MILLION

~50%
more stores were able to meet their sales plan.

2 - 4%
Y-o-Y improvement in employee productivity.

Enhanced Customer Experience

SOLUTION

Wipro proposed an analytics based approach to precisely determine the payroll need (workforce allocation) for the store's expected workload to increase the likelihood of meeting their corporate sales goal. The client used to have an ad-hoc method for payroll allocation/store where in a simple average of historical sales data was arrived at, by the corporate team, to allocate man hours required per store without considering the factors affecting individual stores.

While the client had followed a top-down approach based on sales forecast, Wipro recommended a bottoms-up framework, that factored in the needs of each store, work centers and workload drivers (like number of pull trips, number of returns, Number of Items in Planograms etc.). Instead of relying only on 'sales' as the single payroll driver for the stores, Wipro's framework reviews other factors in store which impact the payroll

PAYROLL OPTIMIZATION FRAMEWORK

DISCOVER

- Identify potential workload drivers impacting payroll hours
- Perform Correlation model to finalise the workload drivers

PREDICT

- Develop forecasting model for the identified drivers
- Develop regression model to forecast the payroll hours based on workload driver forecasts

OPTIMIZE

- Important to align corporate payroll budget with individual store needs
- Optimize payroll allocation based on store performance ranking among their peer group

KEY HIGHLIGTS

- **Alignment of individual store planning with corporate planning:** The framework initiated the discovery of all the potential workload drivers and identification of key drivers amongst them. The historical data of 10-15 key drivers for last 12 months for a group of stores at weekly level was collected and analyzed to understand the yearly payroll consumption at weekly level.

- **Accelerators and models employed:**
  A forecasting model was developed to estimate the actual payroll requirement based on a **Correlation Analysis** between drivers and required workforce hours. Wipro employed certain accelerators like maturity framework models, forecasting and optimization models etc.

- **Store performance ranking:**
  The payroll and labor hour allocation was further optimized based on store performance ranking among peer groups and identifying leader stores with potential to improve top line and laggard stores to enhance their productivity.

BUSINESS IMPACT

Wipro optimized payroll hours to the right store at the right time for the right task to meet the corporate productivity goals by gaining sales and improving customer experience. we helped the client in terms of:

- **Designing a new operating model:**
  To enable adoption of the current dynamics of the payroll allocation according to the current performance, corporate goals and sales

- **Advisory services:**
  Redefined the business processes for the corporate level payroll in order to percolate at the store level and provide remove a comprehensive plan for remove store planning.

- **End- to-End Solution Architect:**
  Provisioned the solution from identification of the problem to implementation of the solution by creating forecasting and regression models.

ABOUT WIPRO LTD.

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