

Making life easier for store managers in Switzerland



Migros Aare and Unit4



Store managers need to know three things in order to budget and forecast accurately – sales, personnel costs, and personnel hours.

Each impacts the other and can change suddenly, so what would happen if you interlinked them on a per-store, per-day level? This is the question that Migros Aare, a cooperative of Switzerland's largest retail company Migros, has been able to answer with Unit4, the company that builds enterprise software to transform work and how people feel about it.

For this legally independent company within the Federation of Migros Cooperatives, it is important to put customers and employees first. Migros Aare has 125 supermarkets and more than 6,000 employees in its supermarket unit.

Keeping customers and employees happy requires good math. Any retailer will tell you that it is essential to finely balance the predicted daily in-store sales number with the cost number for full-time-equivalent (FTE) personnel. In other words, demand (what customers will spend) must be optimally matched with supply (what employees will do). Get this wrong and you simply won't have products on the shelves when customers want to buy them.

Innovating the Retail Performance Management

Migros Aare and Unit4 looked at current ways to improve the in-store sales-to-FTE cost metric. While most of the KPIs for sales, personnel hours, and personnel costs already existed, they were not fully connected on a daily basis. As a result, store managers did not have all of the independent value drivers available and therefore, were unable to use them for a good forecast or for effective measures. And there was no predictive algorithm to support personnel cost planning and top-down / bottom-up forecasting. It was obvious that a new retail performance management solution was needed. The partners worked together to create this solution – the Retail Performance Management system – to improve the accuracy of daily in-store forecasting and to make annual budgeting better.

Highlights

The Retail Performance Management system now provides high levels of interlinked forecast accuracy for sales and personnel costs. This solution is being used in 125

Industry

Retail

Location

Switzerland

Size (unit supermarket)

6,000 employees,
125 supermarkets

Product

Retail Performance
Management (Unit4 FP&A)

Challenges

Make sure the right personnel are working at the right times to deliver the very best retail experience. Reduce the level of sales-to-personnel cost deviation between monthly forecasts and actuals.

Key metrics

99.9%

Forecast accuracy for the current month for personnel costs. 99.7% for the following 3 months.

75%

of stores (over-) achieved their targets in personnel costs. 45% in the previous year.

“For Migros Aare, the most important thing is interlinked forecast accuracy. Collaboration with Unit4 has enabled us to achieve this with a gradual building-block approach.”

Theres Stefan

Project Manager, Migros Aare

Migros Aare supermarkets and in its restaurants and specialist stores. The retailer achieved full project return on investment (ROI) within less than 8 months.

This unique digital tool can be implemented within 3-4 months taking a gradual building-block approach, and offers **transparency** at store level with a key performance indicator (KPI) dashboard that helps the store manager to accurately forecast daily profitability.

Budget deviations are fully explained in the system, giving a better idea about true cost drivers. Special reports can be produced for different user groups – for example, management, sales, and controllers.

Holistic store management

is achieved with budget and forecasting in one application. It is easy to set the budget for sales and personnel costs per store, per category and per day, based on historical data. The tool suggests personnel hours based on planned sales. It also reconciles sales, personnel costs, and personnel hours. Cost drivers such as absences and overtime are included, and early warnings are given about the year-end forecast.

In addition, this solution enables **identification of potential** as it gives the store manager easy access to in-store benchmarking data, showing all likely improvement drivers per store. Similar stores can be put into clusters, and then individual stores can be compared within each cluster to find levers for realizing new potential.

There is **high stakeholder acceptance** as everyone across the retail organization can see the value of this new tool. The Retail Performance

Management tool makes it possible for the organization to act instead of merely react.

For Migros Aare, people from all levels were involved at every step of solution implementation including financial controllers, store managers, regional sales managers and many others. This ensured the tool fulfilled all needs and was widely accepted by all.

Key features

Budgeting

- Bottom-up and top-down budgeting and forecasting of daily sales, personnel costs, and personnel hours
- Calculation of personnel hours based on daily sales per store and department as bottom-up suggestions
- Monthly conversion of personnel hours to personnel costs including absences and hourly paid wages
- Intuitive and easy top-down allocation of targets
- Workflow supports top-down and bottom-up budget setting

Store management forecasting

- Forecasting is based on identified KPIs
- Conversion of daily sales forecast per store to necessary personnel hours
- Intuitive explanation of budget deviations for personnel costs (waterfall diagrams)
- Simulation of hours and personnel costs for the remainder of the year, generating year-end forecasts
- Calculation of needed check-out desks per half-hour based on store and sales
- Real-time aggregation of forecasts; all stores work in one application

Productivity management

- Clustering and comparison of stores based on KPIs
- Calculation of potential (sales, costs, hours) based on store comparisons
- Highlighting of potential levers from top-performers in each cluster

Results

Migros Aare is achieving great results with the Retail Performance Management tool.

As its rapid 8-month ROI indicates, the retailer is saving substantial costs through better resource allocation. Daily demand is closely aligned with in-store FTE personnel needs, and the monthly sales-to-FTE cost deviation has reduced to just 0.2%.

With a better understanding of in-store profitability drivers, store managers can be more proactive. And seeing the real-time, dynamic link between staffing decisions and store margins, these managers are also more cost conscious.

For Migros Aare customers, the retail experience is excellent. Shoppers notice that in-store personnel are available when needed, retail items are readily available, and check-out is swift.

With the convenience of having all store KPIs, forecast, and budget information in a single tool, Migros Aare is better equipped to achieve full potential in every store. And the lessons learned from successful stores provide a sound basis for future revenue growth.

Innovation continues with the Retail Performance Management tool as the partners apply artificial intelligence (AI) and neural networks to support personnel hour prediction and sales forecasts. Life is getting easier for store managers. Watch this space for updates!