

Retailer Saves Millions and Hires Employees Who Sell More: A Five-Year Study

This national retailer with 2,000 locations and 40,000 employees has used the Kronos® Workforce Acquisition™ solution since 1999 to improve the quality and performance of its service representatives, shift leaders, and store directors. The company has grown at a rate of approximately 20 percent annually since 1999.

More than five years ago, Kronos’ Talent Management Division and this retailer forged a long-term partnership with the goal to systematically improve the quality, reliability, and effectiveness of the company’s hourly workforce. At the time, the company’s most pressing issues were to increase the stability of its workforce by reducing turnover — which was over 200 percent — and improve its in-store experience by emphasizing customer service and the friendliness of its store staff.

In order to achieve enterprise-wide improvements in these areas, this retailer recognized the need to implement centralized business rules and standardized processes to govern hiring practices. This had to be accomplished across a widely distributed workforce and a large number of stores in which there was no Internet connectivity or PC availability.

Additionally, this retailer’s management team wanted to increase the volume of job applicants it received while reducing the amount of time spent by store managers reviewing resumes and weeding out candidates who would not be a good fit for the company. This, in conjunction with automating many of the new hire processes such as background checks and Work Opportunity Tax Credit (WOTC) capture, was deemed a core necessity to the company’s ability to be more selective in its overall hiring practices.

Automating the application process

After a brief pilot program across a limited number of stores, Workforce Acquisition was rolled out to the full enterprise. The technology infrastructure challenges were overcome through the use of on-site electronic application devices, which allowed for the presentation of a full application without Internet connectivity. Now when job applicants walk into any of this retailer’s stores, they are directed to an application device where they can electronically fill out their application. They can also complete the same application online from a public or home computer.

In addition to standard biographical questions, such as the applicant’s name, address, and work history, the application included custom-designed assessment questions. The initial assessment focused on identifying applicants with high customer service skills.

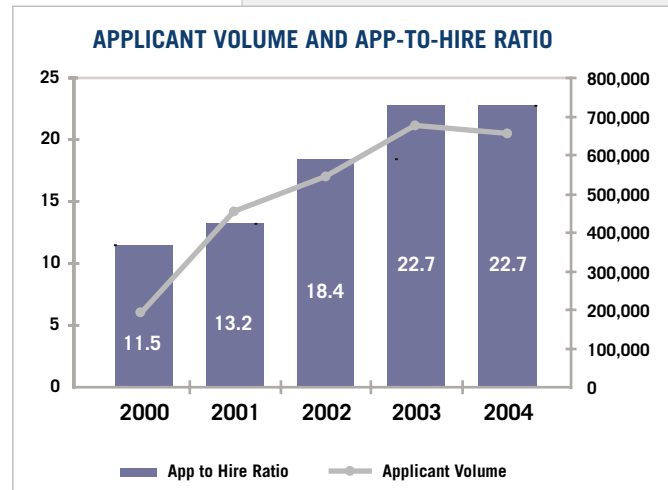
Upon completion of the application, each applicant’s responses were immediately transmitted to Kronos’ secure database. The information was processed and evaluated there against criteria derived from previous successful employees. The hiring manager used a web desktop to review an Interview Guide containing a summary of the applicant’s completed application form and recommended follow-up interview questions.

Category: Retail

Employees: 40,000

Locations: 2,000

Product: Workforce Acquisition



Retail Case Study

The Interview Guide also provided hiring managers with an applicant profile that included a color-coded customer service ranking, making it clear which applicants were recommended for an in-person interview, the next step in the hiring process. Green indicates a good fit between the applicant and job, yellow marks caution, and red signifies an applicant who might not be a good fit for the position and/or company.

At this retailer, the management team was able to reinforce hiring recommendations made through Workforce Acquisition by implementing cross-store hiring policies that required managers to receive authorization to hire non-recommended, or “red,” applicants. Significant attention was also paid to compliance, helping ensure that all new hires were made through the system.

Plans were also put in place to enable future optimization of the selection process. A payroll data-feed was established to provide Kronos with a flow of “closed-loop” data, including termination dates and termination reasons. This established a foundation for the future use of more sophisticated mathematical models that used results from early hires to better predict which applicants were likely to stay longer and avoid counter-productive behavior. Additionally, a shrink-specific termination code was implemented to enable the accumulation of shrink-related incidents for use in predictive modeling.

Applicant volume doubles

From the outset, it was apparent that in order to support a more selective hiring process, it would be important to increase the number of applications received. Through the use of in-store kiosks and integration with the Internet for off-site applications, the retailer experienced an immediate and sustained increase in applicant flow. This resulted in an increase in the ratio of applicants to hires from 13:1 to 23:1 in the first three years. This has been a critical component in the continued success of the program as it has supported the ability to add more criteria to the hiring process — such as the Dependability Assessment (designed to reduce early quits and other counter-productive behavior). Equally important, the 50 percent increase in application volume didn’t negatively impact store management. In fact, automation of the process freed up much of the time managers had been spending accepting, reviewing, and managing applications.

This retailer also needed to implement effective processes to support its hiring strategy. The immediate challenge was to ensure that all locations adopted the system. By the end of the rollout period, less than three percent of store hires were made outside of Workforce Acquisition. Compliance has been 97 percent per year ever since and has been a critical component of management’s ability to implement new selection strategies. Furthermore, the adherence to hiring guidelines has been critical in putting the Kronos’ talent management team’s assessment recommendations into place. Even today, 99.5 percent of hires made through Workforce Acquisition are recommended “green” hires.

Early quit level stabilizes

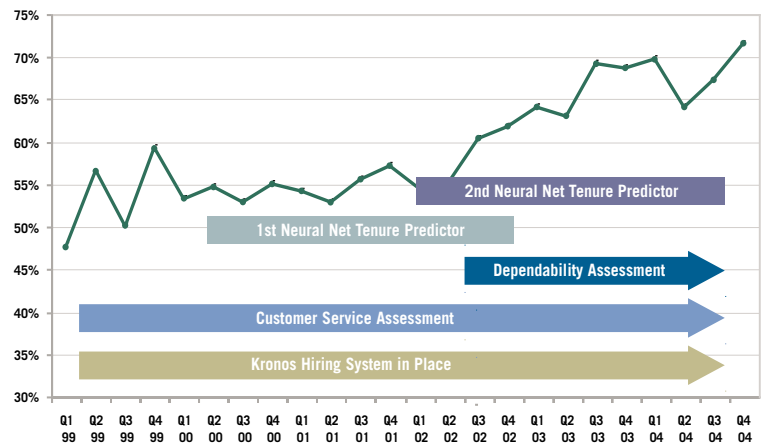
The implementation of the system had an immediate effect on stabilizing the level of early quits. Prior to the Kronos implementation, one in four new hires failed to reach day 30 of employment. In the rollout year, the early quit rate for people hired using Workforce Acquisition was 16 percent — as compared to 22 percent for hires made before the solution was in place. Had the Workforce Acquisition rate been in effect for the entire year, the retailer would have had 1,593 fewer quits within 30 days. Early quits, as measured by 30-day retention, is a very effective lead indicator for overall turnover.

New hire retention increases

New hire retention was also a major focus. As Kronos accumulated a sufficient body of employee data connecting retention outcomes to application information, it was possible to build and deploy sophisticated mathematical models designed to predict which applicants were likely to stay longer as employees.

The Dependability Assessment was also deployed which resulted in 90-day retention rates steadily improving from 53 percent to 68 percent — the equivalent of approximately 3,000 additional new hires reaching 90 days of employment.

NEW HIRE 90-DAY RETENTION: Customer Service Representatives



Turnover rates decline

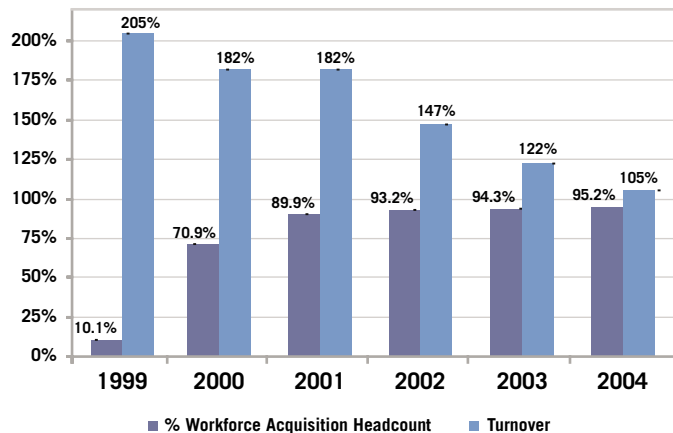
A key objective of this retailer was turnover reduction — and with Workforce Acquisition, turnover of its store-level employees fell to almost half its previous rate.

Kronos monitors new hire retention as a leading indicator for turnover direction. There is always a lag between the manifestation of improved retention due to improved selection and its impact on overall turnover. The rate at which “old” employees are replaced with hires made through Workforce Acquisition, who were selected for specific behavioral characteristics, also determines the rate at which summary metrics, such as turnover, will be affected.

Retail Case Study

Over time, as the proportion of this retailer's overall employee population transitioned to hires made through Workforce Acquisition, the effects of improved new hire retention began to show in the overall turnover rate. The next chart shows the annual turnover rate for store-level employees as it relates to the percentage of employees hired through Workforce Acquisition.

STORE EMPLOYEE TURNOVER TREND
and % Workforce Acquisition Headcount – Year-End Accumulation



Reducing employee theft

As with most retailers, reducing employee-related shrink was a top-of-mind objective. Various loss prevention best practices were already in place, and this client turned to the talent management team's assessments as further tools to prevent theft. Kronos had already integrated background theft database screening into the hiring process, and the goal was to add incremental loss prevention gains through the use of the Dependability Assessment.

Kronos' talent management team completed an analysis of confirmed employee theft incidents (based on the retailer's adopted shrink term code) to determine if the Dependability Assessment was having a measurable effect above and beyond theft database screening in reducing terminations for shrink-related behavior. Shrink analysis is notoriously difficult (based on the number of required assumptions), but using an estimated base detection rate, the results showed that selecting only "green" Dependability Assessment applicants reduced the base theft rate by 2.8 percent per year.

WOTC savings skyrocket

As part of the application process, this retailer's applicants provided information that is used to screen for Work Opportunity Tax Credit (WOTC) eligibility. WOTC is a program that enables employers to receive up to \$2,400 in tax credits per eligible employee (welfare, food stamp, rehabilitation recipients, etc., are eligible).

Through the early identification of applicants who appear to be WOTC eligible and by integrating with its third-party tax service provider, the retailer was able to dramatically increase its WOTC tax savings capture. With 8850 compliance at almost 100 percent for the past four years, and the ability to quickly identify "green" WOTC candidates, WOTC tax credit capture increased from essentially zero to over \$1 million per year.

Achieving impressive financial results

The systematic transformation of a workforce impacts a company financially and operationally, and it is an impossible task to capture all of the nuances that such a change produces. However, there are two important financial perspectives that reflect the health and stability of a workforce and its ongoing contribution to the organization's success. The first is a measure of HR efficiency and examines the volume of hiring and firing required to support headcount (akin to turnover). The second is a view into new hire productivity through revenue per new hire.

Over a five year period, this retailer has seen considerable gains in both categories. Its incremental hire and termination transactional savings totaled over \$3 million per year. This gain in HR cost-effectiveness is a reflection of the fact that overall store headcount grew 41 percent while the total number of HR transactions (hires/terminations) fell 17 percent. Additionally, annual revenue per hire increased 52 percent.

Through its partnership with this retailer, Kronos was able to provide a new way for this company to save money and compete in an area where it has traditionally been hard to manage and control costs. By streamlining, controlling, and continuously improving the hiring process, this retailer has seen business improvements throughout its organization — affecting both the top and bottom line. With Workforce Acquisition, this retailer has achieved its twin goals of increasing the stability of its workforce and improving its customers' in-store experience.

To find out more about Kronos, please call (800) 355-4547 or visit www.kronos.com.



Experts at Improving the Performance
of People and Business™

Kronos Incorporated 297 Billerica Road Chelmsford, MA 01824 (800) 225-1561 (978) 250-9800 www.kronos.com

©2006, 2007, Kronos Incorporated. Kronos and the Kronos logo are registered trademarks, and Workforce Acquisition and "Experts at Improving the Performance of People and Business" are trademarks of Kronos Incorporated or a related company. All other product and company names mentioned are used for identification purposes only, and may be the trademarks of their respective owners. All specifications are subject to change. All rights reserved. Printed in the U.S.A.
23246