On the Clock: Are Retail Sales People Getting a Raw Deal?

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Ann Taylor Stores -- a New York-based retailer of upscale women's clothing -- is using a new computer scheduling system that assigns the busiest and most desirable hours to employees with the strongest sales numbers. Those with less success on the selling floor get far fewer and less desirable hours when new schedules are posted.

Building on success in controlling inventory and other retail operations, new software programs are being used to manage another critical asset for stores -- sales people. While the systems can help improve productivity, Wharton faculty and others warn that they are no substitute for hands-on management when it comes to dealing with employees.

Wharton marketing professor Stephen J. Hoch says the Ann Taylor system is like "squeezing blood out of a turnip" and goes a long way toward alienating employees. Erin Armendinger, managing director of Wharton's Jay H. Baker Retailing Initiative, describes the initiative as "a case of something that has its roots in a good idea [but that has been] taken too far."

'The Worst of Dilbert'

While the softening economy may give employers a stronger hand in employee relations, retailers historically have difficulty attracting and retaining qualified workers because the industry pay scale is so low, Hoch points out. "Ann Taylor, and the retail environment in general, is not the only place where people can work. This system potentially creates a hostile working environment. It's the embodiment of the worst of Dilbert."

Hoch acknowledges that Ann Taylor's new scheduling system may be one way to reduce labor costs. "It can be self-fulfilling. If you give people just a few [off-peak] hours, they will look for another job. Maybe that's what [corporate executives] want." He also acknowledges that technology-based information can be valuable to managers, but only if the value is clearly understood throughout the company. Without consistent buy-in, technology-driven management tools will result in adversarial relationships across all staff levels.

Information technology is not a way to overcome weak management, he suggests, noting that human capital management systems must be sold to workers as a valuable tool for all employees and should be accompanied by training sessions. "It should motivate everybody, not just the best sellers. It would be nice to couple it with training to bootstrap people who are not as effective as the top performers."

Armendinger echoes Hoch's point that retailers are under tremendous pressure to increase sales and cut expenses. For example, Ann Taylor, with 959 stores, is closing 117 this year to improve earnings. The apparel chain's new computer scheduler -- called ATLAS, short for Ann Taylor Labor System -- was created by a Wisconsin retail vendor, RedPrairie Corp. In order to create the system, Ann Taylor spent a year studying labor patterns in its stores and developed time-based criteria for workers -- for example, three seconds to greet a customer and 32 seconds to fold a sweater, according to a recent article in *The Wall Street Journal.*

While Wal-Mart Stores, Payless ShoeSource and other major retailers have moved to computer-driven scheduling systems that put more workers on the floor at the busiest times, Ann Taylor has added the dimension of individual sales productivity to the equation. Employees who were interviewed by *The*

Journal say the system has resulted in sharp cutbacks in hours for some employees and has diminished morale. One worker who typically was assigned a regular 34-hour-a-week schedule before the system was installed had been cut back to just eight hours in some weeks. "Computers aren't very forgiving when it comes to an individual's life," one former Ann Taylor employee told the paper.

Retailers who anger their staff risk major consequences, Armendinger notes. "To your customer, your store's people are your brand," she says. Those "in the corporate office sometimes forget that people on the front line mean more than any strategy you come up with at the corporate office. To treat them as if they are numbers is a little bit disturbing," especially given that employees have their own fixed costs, such as mortgages and car payments, as well as fixed responsibilities which don't always lend themselves to sharp fluctuations in schedules.

At the same time, she acknowledges that "scheduling is not the easiest task. To have a system that spits out a schedule matching the workforce with the flow of traffic in the store makes sense. But beyond that, you need human interaction to smooth it out and make it something that people can live with."

Armendinger suggests that rewarding employees with prime working hours based solely on sales numbers is not necessarily the way to generate better sales over time. The Ann Taylor approach is likely to encourage sales associates to put such a premium on sales that they overpower customers with high pressure techniques that will backfire.

"When customers feel a sales person is not genuine, they feel as if they are a piece of meat," she says. "Women do not want to go into a store and be viewed by salespeople as 'a dollar sign'. They want salespeople who will say, 'That color's not right. Here, this is better.' Now, if it takes an extra five minutes, the salesperson will just say, 'That looks great.'" The new scheduling system erodes the relationship between salesperson and client which is particularly valued by older women, the demographic that makes up much of Ann Taylor's customer base, according to Armendinger. "Why [would these customers] go into the store? They can just stay home and shop online."

Videotaping Sales Performance

Wharton faculty members have been studying human capital management systems in the retail and customer service environment, and are finding that the tools have value when used with active and insightful management.

Serguei Netessine and Marshall L. Fisher, both professors of operations and information management, have studied staff scheduling at grocery and shoe stores as well as fast-food chains. Customer flows vary in all retail settings, and surges are particularly strong in fast food restaurants corresponding to mealtimes.

In the case of fast food retailers, there is not a wide range of skills necessary in the labor pool, and each person can be treated as a standard unit of labor capacity. As a result, technology-based management may be more appropriate. In the case of Ann Taylor, however, "you have to start thinking more about whether the person is good or not," Netessine says. Hourly sales figures may tell only part of the story. He suggests that retailers in a more sophisticated sales environment might consider recording videos of sales people at work on the floor to analyze performance beyond the numbers. Retailers too often think of labor as a cost that needs to be minimized without considering its impact on sales, he adds. While cutting labor costs has an immediate effect on results, the impact on sales is less obvious.

Last year, Netessine and Fisher, along with Wharton doctoral student Jayanth Krishnan, published research that examined the impact on sales of increasing inventory, adding sales people and ramping up training. Additional staffing correlated strongest to improved sales figures with $1 of additional payroll spending contributing to a sales lift of $4 to $28, depending on the location.

"In the short-run, you can reduce employees and feel that nothing happens," Netessine notes. "But slowly things start to deteriorate. Customers can't find help and there's not enough warehouse staff to keep items on the shelves. The price tags are out of order and people just start buying less."

Netessine and Wharton management professor Valery Yakubovich have recently combined approaches from operations research and human resource management to study a virtual call center that relies almost exclusively on information technologies to manage about 20,000 home-based sales agents. Unlike traditional retailers who apply these tools to employees, virtual firms are free to choose a more flexible relationship with their workers.

Call center firms usually attract employees as independent contractors in an attempt to replace traditional hierarchical management with a market-driven one in which workers manage themselves. Independent contractors typically have all the skills necessary to do their work without training; they define their own work schedules, and are accountable only for the outcome of their work, not for the way they do it. "Their relationship with the firm is essentially short-term," says Yakubovich. "No loyalty, commitment or job security is expected on either side."

Operations researchers have been studying call centers for decades using mathematical models to predict call flows and solve staffing problems, but have mostly ignored the determinants of agents' performance. Human resource management neglected these centers' workers because they were viewed as commodities, says Yakubovich, who focuses on social relations in the workplace. He notes that companies have been attempting to operationalize managers' relations with workers going back to the early 20th century and the work of Frederick W. Taylor, who pioneered the theory of scientific management and the use of time and motion studies for major employers, including Bethlehem Steel. While Taylor focused on manufacturing workers, Yakubovich notes that IBM and other companies are using digital tools to manage knowledge workers.

Analyzing real-time data, Netessine and Yakubovich found that the virtual call center solved staffing problems and was able to reduce a call's waiting time to 10 seconds on average by using computer-driven tools to direct calls to available agents. The burden of handling calls and keeping clients happy, however, shifted to agents whose qualifications turned out to be poor predictors of their ability to close a sale. To correct that, the firm now uses a sophisticated performance-based routing system that tracks the pool of agents available to take the call, but also chooses the one who has the best track record on the same product.

In related work, Yakubovich found that agents do learn on the job as the frequency of questions for help decreases with tenure, indicating agents' turnover is costlier to the firm than originally believed.

The call center tried to compensate for such things as high turnoverby creating a psychological profile of "the perfect agent" and using it in recruitment of new contractors. However, attempts to come up with such a profile failed. Yakubovich says he is skeptical that such profiles can be created for knowledge workers, as IBM and other companies hope. Knowledge workers have many more ways to get the same job done than highly scripted virtual call center agents, he notes, adding that like call centers, knowledge-based companies will have to spend time and energy selecting, certifying, assessing, and motivating their agents -- in other words, managing them.

Successful technology-based management practices must be embedded in social relations, according to Yakubovich. Even sales agents working from their homes in far-flung locations wind up forming spontaneous virtual networks -- for example, going from company chat rooms to private conversations. These networks can work both toward and against the firm's goals, Yakubovich states.

As a result, the firm has experimented with team work, peer evaluations and other tools that will allow agents to take more control over their work in a community setting. Yakubovich advises firms that depend on computer-driven management tools to build human relationships back into their systems to achieve greater buy-in from everybody throughout the organization.

Tools like Ann Taylor's scheduling system will fail unless human relationships and networks are also taken into account, he says. "This arrangement is more successful than Frederick Taylor's face-to-face scientific management in enforcing performance standards, but the price of turnover is too high and therefore the emerging organizational form is unstable."