

# National Living Wage

How to combine improving processes and scheduling labour to fund the wage hike

**The wage hike is here, and newspapers are full of articles on businesses having to reduce staff hours, delay investment plans or cut head count. Our powerful methodology allows companies to offset the wage hike with improved processes and better scheduling, meaning staff spend less time on routine tasks and more time on the important things, like serving customers**

## Introduction

It's happened – the national living wage for over-25s rose from £6.50 per hour to £7.20 in April 2016, increasing to £9.00 by 2020. While this is good news for store colleagues, it adds yet another burden on retailers' operating costs in a market that is brutally challenging and ever-changing.

Store labour accounts for a substantial amount of a retailer's costs, and large companies will have to set aside further tens of millions of pounds to meet the living wage requirement. In fact, a recent study showed that a typical retailer will see their average wage bill increase by £3.8m in 2016 and £25.6m by 2020 ([www.cityam.com](http://www.cityam.com)).

Some retailers will be impacted greatly – Tesco recently announced the hike in wages will cost the business £500m (cumulative) by 2020. Others less so – discount retailers are able to take a lead on rising wages because they paid a higher hourly rate to begin with, and in some cases, did not offer such generous benefits packages as their rivals.

In either case, the wage hike is coming and retailers need to fund it. Sure, they could simply take a hit on profits, or make changes to their organisational design by removing colleagues from shops. But in the current climate, where in-store shopping experience, personalisation and going 'back to basics' in shop-keeping is paramount, we believe there is a more powerful way to fund the wage hike.

## Our Approach

Our approach is made up of two core ingredients – the first is Lean Six Sigma, which if done correctly, can transform how your business is run. The second is a labour schedule model, which allows you to schedule hours for the newly improved processes, not just the same old ones.

### Lean Six Sigma

When talking about the national living wage, the emphasis is often placed on improving processes and

lowering costs in stores. So when trying to lower store costs while ensuring your colleagues continue to delight the customer, we recommend you use Lean Six Sigma to identify and remove the common forms of waste in your process (e.g. anything from producing too many reports to unnecessary transportation).

It's impossible to eliminate all waste, but you can minimise it using tools such as root cause analysis and process mapping. These tools allow you to identify wasteful areas and then work out how to improve them quickly – leaving you with a store that's a better experience for customers, easier to run for colleagues and cheaper to operate for the business.

However, be in no doubt to improve things holistically, you will have to reach out and improve processes across the business; from Design and Buying, through to Human Resources and Finance, to Store Operations and Distribution even spanning as far as your suppliers. We believe one of the key factors to success in any Lean Six Sigma project is looking at the process end-to-end and ensuring you involve the right people, including those who actually do the job.

### THINGS YOU WANT TO KEEP/ DO MORE OF



Advising customers on products



Introducing new products and services to customers



Developing our colleagues

### THINGS YOU WANT TO GET RID OF/ MINIMISE



Hunting for stock in the back



Filling in reports



Walking to and from different locations



Waiting for things to get done



Correcting mistakes and rework

Once you know where the waste lies, calculated its cost and improved the processes, you can move to building a labour schedule.

*We have seen up to a 20% reduction in hours— this can either be repurposed or taken as a saving*

### Labour Scheduling

Often, stores will schedule hours based on sales, or size, or a combination of the two (if they schedule them at all!). Although this may work to a degree, it fails to pick up the intricacies of different store characteristics, such as the layout of a certain department, the number of floors or the type of tills being used.

For us, the key is to take a pragmatic approach and get to the answer quickly by agreeing upfront the stores and processes in-scope to build an agile and flexible labour scheduling model – with the option of adding stores and processes when the business wants to and needs to. Rather than scheduling the same hours for the same processes, it's key to improve processes first.

Our tool also allows the ability to model 'what if' scenarios, i.e. what is the saving for performing the task in a different way? A labour schedule should be flexible and evolve with the growth of the business.

Businesses often explore third party support to complete the time and motion element of a labour schedule project – frequently using accredited timing engineers to complete the timings. Sure, you could employ an army of engineers, but we often find it more pragmatic to perform the timings with your team, as it means less time spent managing engineers (and ensuring they're capturing the right level of detail), and more time on seeing the opportunities for improvement first hand.

All of this means your business will end up with better visibility on what your colleagues spend their time on, which enables you to continuously drive for in-store productivity that can help offset the wage hike.

### About PatelMiller

PatelMiller is a business consultancy that works closely with its clients to develop their strategies and deliver their full benefit. Our team have gained their skills from working for leading consulting firms as well as some of the world's best consumer facing businesses. We combine the tools, methods and analytics of a strategy consultancy in a pragmatic, engaging way, to make sure potential benefits become real benefits, quickly.

Our service offering includes:

- Strategy
- Lean operating models
- Analytics
- Programme management
- Due diligence
- Digital

Our people have worked with businesses including BT, Dunelm, feelunique.com, John Lewis, M&S, Monsoon Accessorize, Morrisons, Nisa, Thomas Cook and White Stuff.

Find out more:

[www.patelmiller.com](http://www.patelmiller.com) | [enquiries@patelmiller.com](mailto:enquiries@patelmiller.com)



### Summary

In summary, productivity is key to meeting the national living wage challenge. It's a hot topic, which will continue to dominate the headlines in the years to come. Many businesses were focused on the £7.20 milestone and getting there at minimal disruption. But what happens beyond that? The journey of increasing productivity will be a long, hard struggle and needs to start now. It will require improvements in knowledge and leadership, and we think applying Lean Six Sigma along with a powerful labour schedule, can get you there quickly.

Our team have have been involved in this type of work across businesses such as Daily Mail, Dixons Retail, Dunelm, M&S, Monsoon Accessorize, Morrisons and Tesco – we have developed a pragmatic approach which works well in Retail.



**Jonathan Miller**  
Managing Partner

Jonathan is an experienced advisor to Retailers, having worked for Accenture as a strategy consultant, and then directly for Asda-Walmart, Tesco and Dixons in strategy and operations development roles.



**Vilas Sedov**  
Manager

Vilas has gained retail experience having worked across consulting and industry for firms such as dunhumby, Tesco and Kurt Salmon. He specialises in store operations and Lean Six Sigma.