

AlixPartners

UK HOSPITALITY INNOVATION DAY

**Labour productivity review -
Approach and case studies**

May 22, 2024

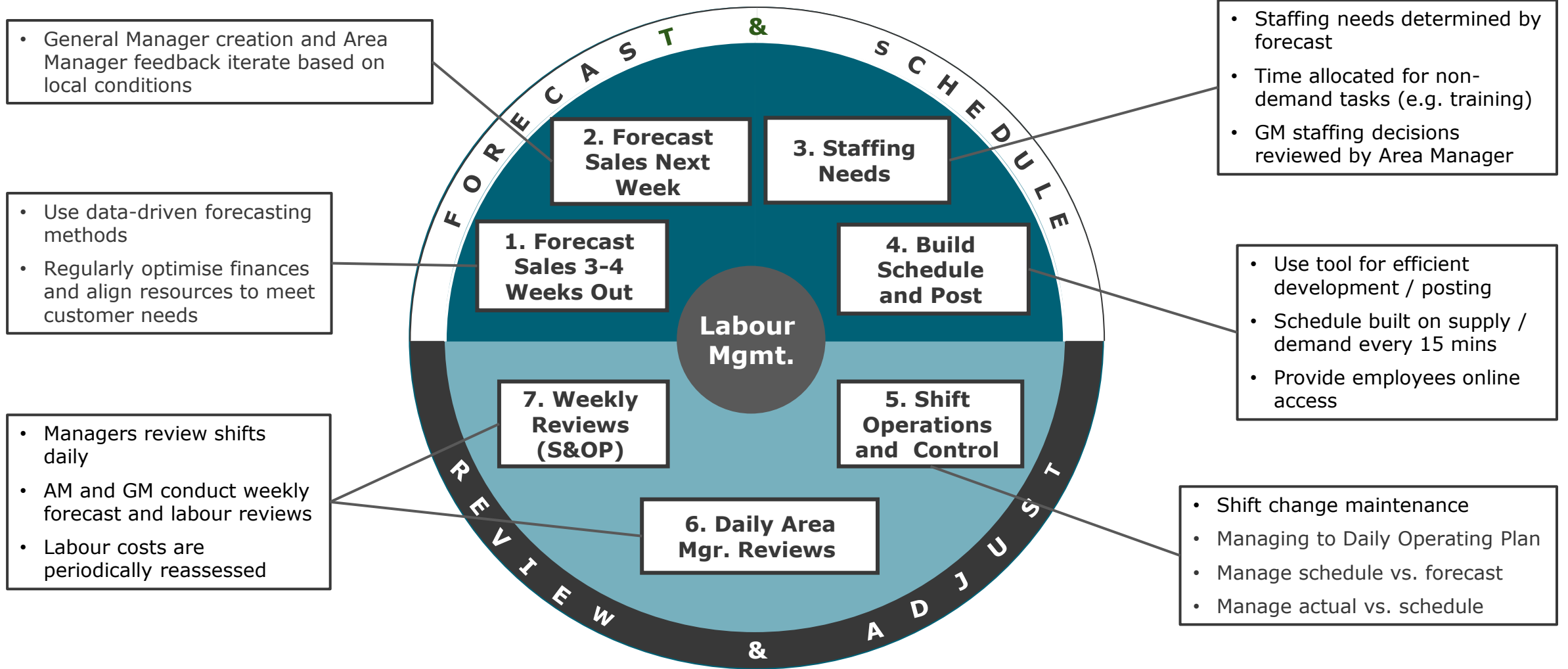


Agenda

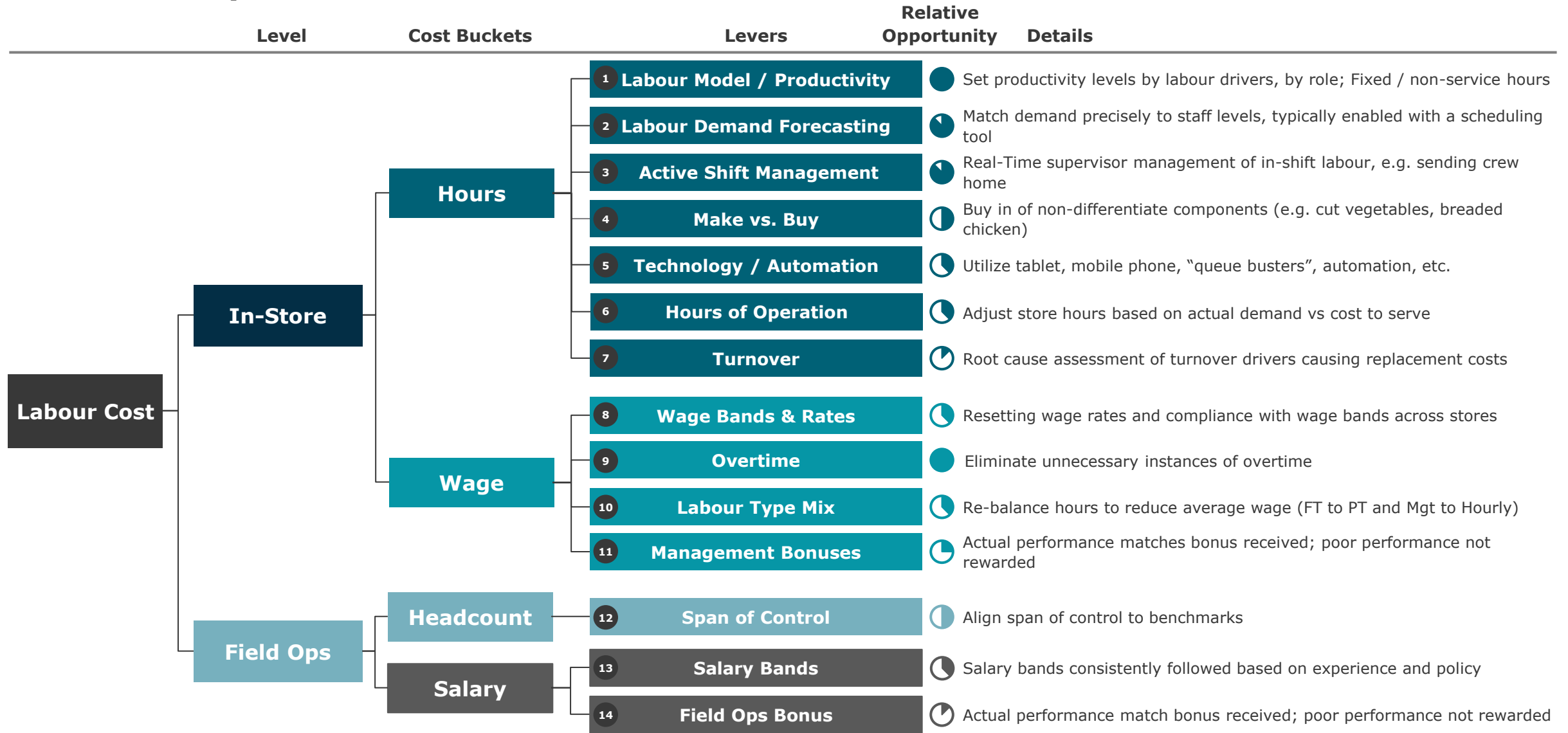
- Intro
- Labour framework: how we assess current labour management practices
- Labour cost driver tree: used to identify levels for improvement
- Case study #1: American fast-food company
- Case study #2: UK-based grocery retailer

We typically assess the current labour management practices of a client against our Best Practice Labour Framework

AlixPartners labour best practice framework



When looking at optimising labour costs, we apply the labour cost driver tree to identify levers for improvement

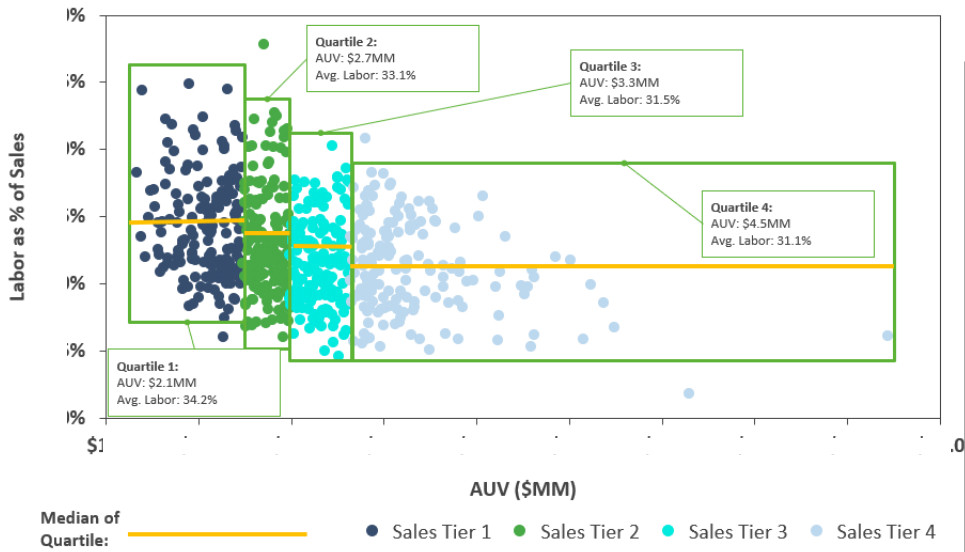


For our client, one of the largest seafood restaurants in US, we conducted several initial analyses to quantify the potential benefits of a labour optimisation programme

Store Level Quartile Analysis

“Outlier” Quartile analysis indicates opportunity to optimize labor costs by improving lower performing stores based on internal actuals

Potential Opportunity by Quartile Improvement



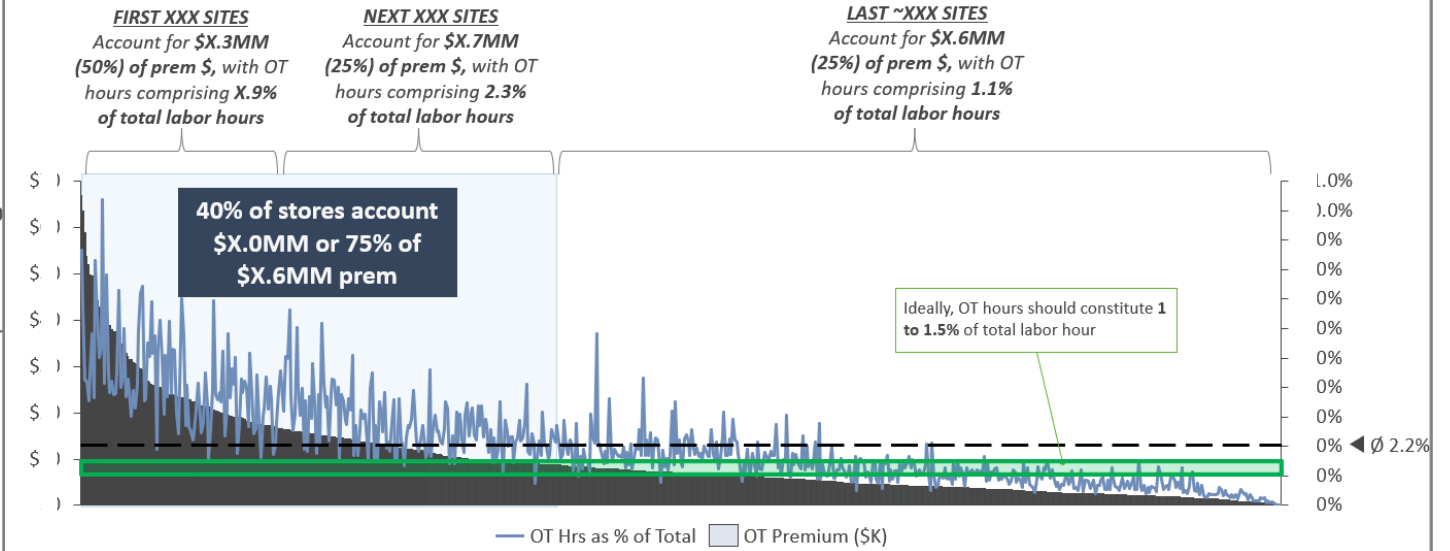
Approach

- Establish internal benchmarks by AUV buckets

Overtime Analysis

Our client incurred \$X.6MM in OT premiums with OT hours constituting 2.2% of total labor hours. Reducing OT hours to 1 – 1.5% of total could yield est. savings of \$X.3 – X.9MM, respectively per year

OT Hours % of Total Hours and Premium Costs (\$K) – TTM P9 FY2024



Note: Some values and details have been changed or rounded up/down to protect confidentiality

Based on the assessment, we built a comprehensive labour efficiency plan to enhance performance and yield sustainable benefits

The labor program is structured around the five key strategic levers highlighted previously to improve labor efficiency and yield potential savings

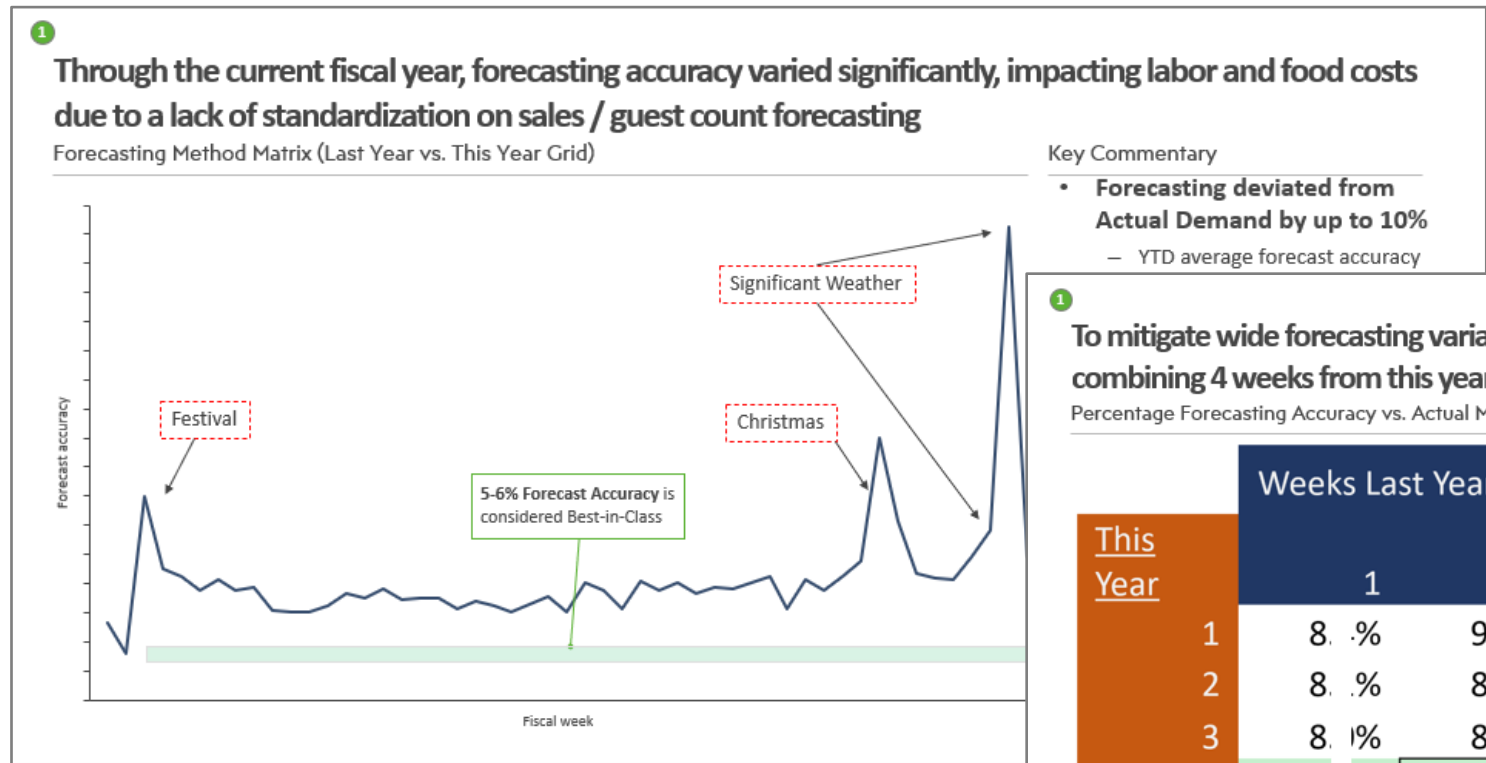
Labor Efficiency Levers

	Program Levers	Descriptions
1	Forecasting Accuracy	<ul style="list-style-type: none"> Identified top labor forecasting method after a year's analysis, improving staffing accuracy
2	Roles and Responsibilities	<ul style="list-style-type: none"> Redesigned roles within a cross-functional framework, introducing backup responsibilities
3	Fixed Labor	<ul style="list-style-type: none"> Adjusted working hours to demand, optimizing start times and front-of-house efficiency to reduce waits
4	Activity-Based Standards	<ul style="list-style-type: none"> Refined productivity metrics using historical data to boost labor efficiency
5	Shift Management / A Day in the Life	<ul style="list-style-type: none"> Launched a shift management initiative with Operations, focusing on better scheduling and labor card use

We created a clear, actionable plan for the client using a structured framework

Enhancement Pillar #1: Improve Forecasting Accuracy based on sales and guest demand to generate better labour forecasts and schedules

Historical Forecasting Performance



Forecasting Accuracy Matrix

1

To mitigate wide forecasting variances, the task force identified the most accurate forecasting method combining 4 weeks from this year with 2 weeks from LY (4+2) based on analytics of the past year

Percentage Forecasting Accuracy vs. Actual Method Matrix (Last Year by This Year Grid)

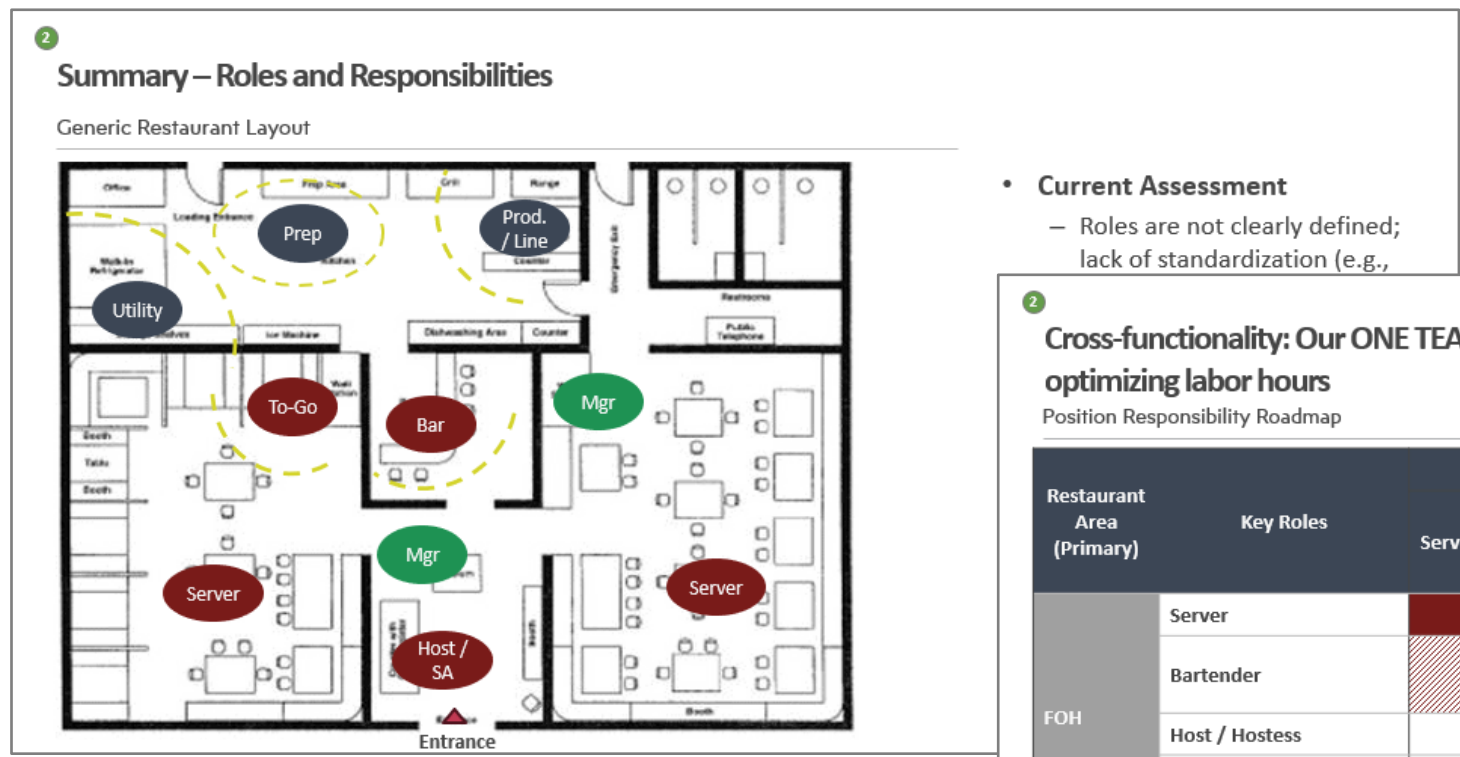
This Year	Weeks Last Year			
	1	2	3	4
1	8.0%	9.1%	9.0%	10.0%
2	8.0%	8.1%	8.0%	9.0%
3	8.1%	8.1%	8.0%	9.0%
4	7.0%	7.0%	8.0%	8.0%
5	7.0%	7.0%	7.0%	8.0%
6	7.1%	7.1%	7.0%	8.0%
7	7.1%	7.1%	7.0%	8.0%

Take Aways

- Approach**
 - Near year-long sensitivity analysis done across all sites.
 - Forecasting accuracy **improved to 7.X%, closer to a 5-6% Best-in-Class variance**
- Anticipated Impact:**
 - Reduced GM admin work with 4+2 method
 - Improved guest experience via better forecasting
 - Lower labor costs from demand-aligned staffing
- Next Steps:** Annual detailed sensitivity checks by Finance for optimal forecasting

Enhancement Pillar #2: Consolidate Roles and Responsibilities to simplify operations and improve leverage with greater cross-functionality

Current Layout (Silos & Complexity)



- **Current Assessment**
 - Roles are not clearly defined; lack of standardization (e.g.,

Multidisciplinary framework

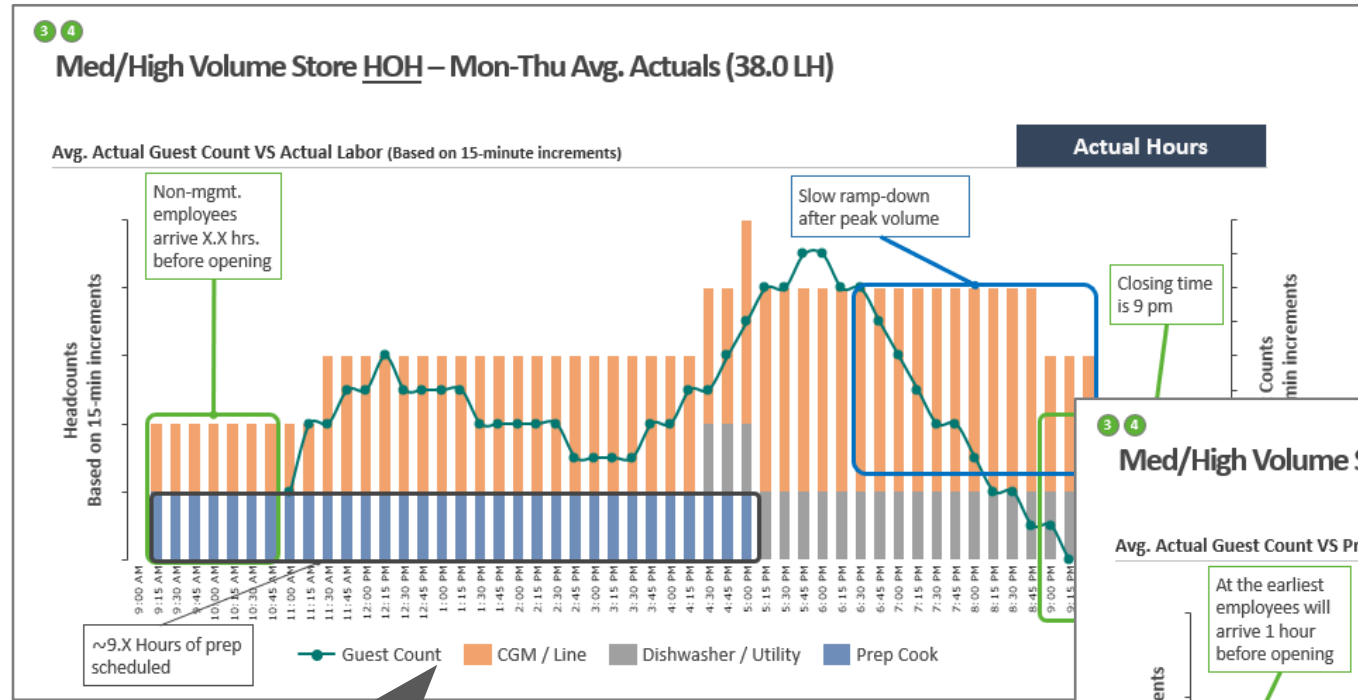
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Cross-functionality: Our ONE TEAM strategy streamlines deployment to enhance service while optimizing labor hours

Position Responsibility Roadmap

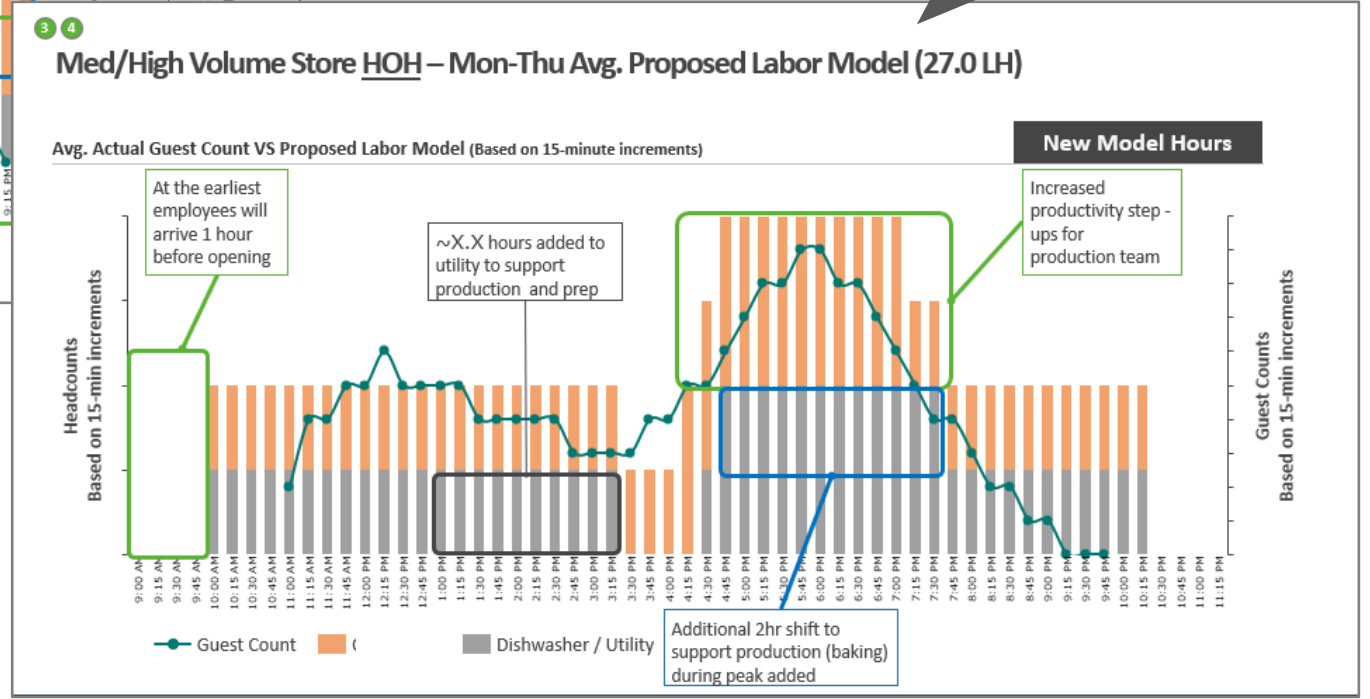
Restaurant Area (Primary)	Key Roles	FOH (Secondary Functions)					HOH (Secondary Functions)				Secondary Deployment (Subject to Availability)
		Server	Bar	Host	SA	To-Go	Line	Dish/Util.	Baker	Prep	
FOH	Server	█		█	█						• Greet and seat guests if SA unavailable
	Bartender	█	█	█	█						• Assigned tables to serve • Take and manage to-go orders; curbside • Greet and seat guests if SA unavailable
	Host / Hostess			█	█						• Take and manage to-go orders
	Service Assistant/ Busser			█	█						• Take and manage to-go orders; curbside
	To-Go Spec. / (Cashier)			█	█	█					• Greet and seat guests if SA unavailable
HOH	Production						█	█	█		• Bake veggies, potatoes, etc.
	Dishwasher / Utility						█	█	█		• Work the line
Mgmt.	Salaried	█					█				• Generally support all FOH efforts as needed

Enhancement Pillar #3 & 4: Rebuild Labour Model based on updated Fixed Hours and Activity-based Drivers to improve labour efficiency or usage



Intraday Chart based on Real Guest Counts and **Projected Hours per New Model** (reduced excess hours and increased staffing for higher demand daypart)

Intraday Chart based on Real Guest Counts and **Actual Hours Worked** (staffing not aligned with demand)

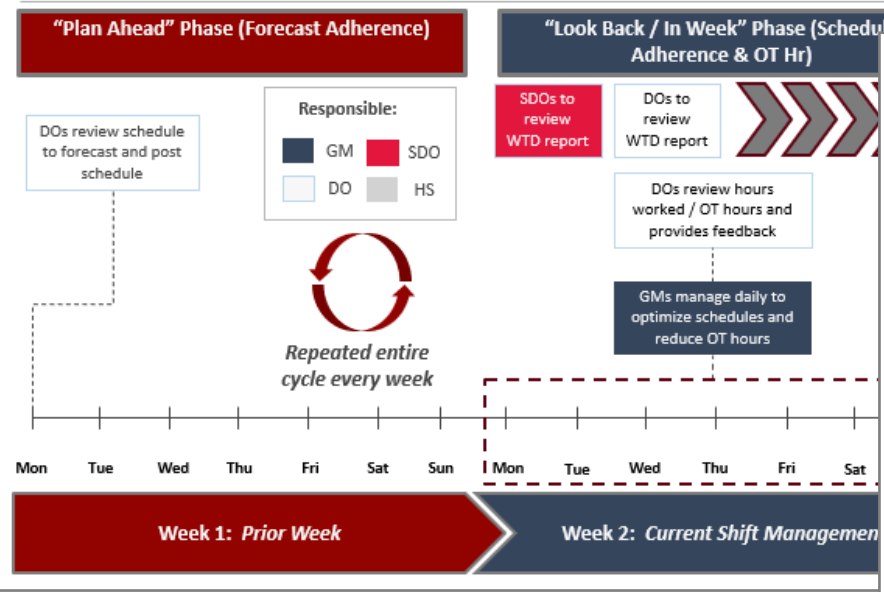


Enhancement Pillar #5: Designed "A Day in the Life of the Operator" to drive beneficial sustainability systemwide based on best practices and balanced compliance program

New Scheduling Programme

Labor planning and assessment run on a continuous three-week cycle, demanding teamwork across all Operations levels

Overview of Weekly Labor Planning Cycle



Simplified Daily Labour Punchlist

Key Manager Daily Activities: Daily tasks, aligned with the day's five key segments, are critical for Restaurant Operators to enhance labor efficiency with support and guidance from the SDO / DO

Select Labor Reporting Overview

1 START THE DAY SHIFT	Time (min)	3 CLOSE OUT LUNCH / START THE DINNER SHIFT	Time (min)
Check in Staff upon entry; Highlight on Labor Card – Communicate Goals	Ongoing	Document AM Totals Results at 4 PM	10
Assign Prep Duties – Set Time Expectations	12	Check in each employee (Highlighter is a Best Practice)	5
Assign Line Cook Cleaning Duties	5	Review Sales and Labor Hours Hourly – Communicate with Team	1 min / hr
Post Labor Card Copy on Communication Board	1	Adjust Add Hours or Cut Employees after the anticipated Peaks in sales	Ongoing
Ensure all hourly are clocked in	1	Document PM Totals Results at 5p.m.	5
		Consult with PM Manager the performance results on Labor Card	5

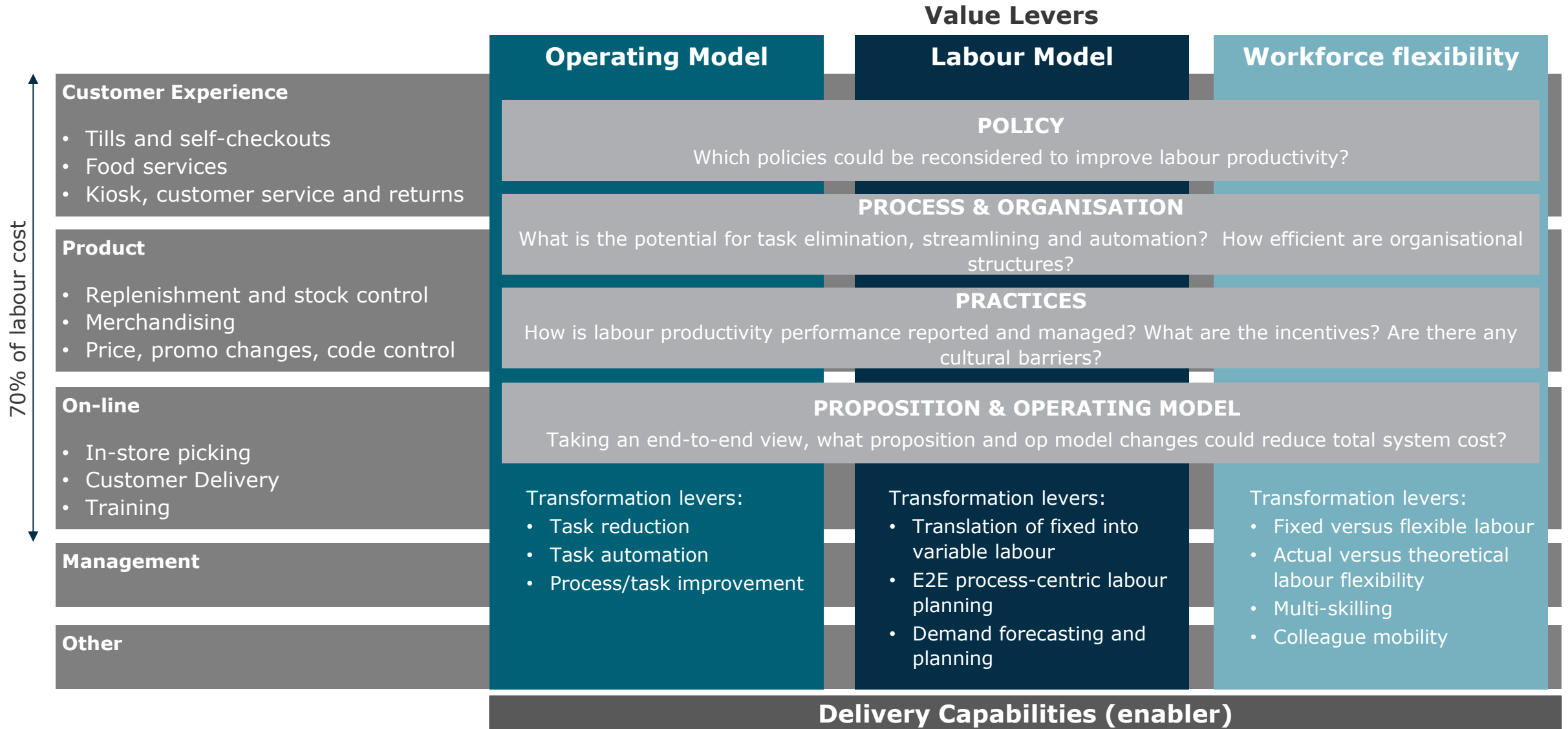


SDO / DO will ensure compliance

2 4 DRIVING THE SHIFT	Time (min)
Have your Labor Card on you throughout the shift	Ongoing
Review Sales and Hours Hourly (POS)	5
Assign Line Cook Cleaning Duties	1 min / hr
Adjust Hours and Cut Employees after anticipated Peaks in sales	Ongoing
Validate Prep List Completion for Hourly Time Mgmt.	3

5 CLOSING OUT THE DAY	Time (min)
Complete On Hands and Prep List	25
Ensure all Employees are clocked out correctly (POS)	5
Make Notes in (HS) Daily Log	5
File Labor Cards to review at Manager Meeting Review	1

For a top grocery retailer, a holistic review of value levers allowed us to define the scope of the transformation and prioritise initiatives



As part of the transformation, we helped our client achieve c.£200m annual labour cost savings, plus identified additional cross-functional long-term opportunities

6-week assessment

Labour Productivity Deep Dive

Key results

- **Holistic review of the retail business, transformation opportunities, and quantification of benefits** - Focused on transformation impact, feasibility, technology and speed of results
- **Transformation Office design**, defined 3-year scope of transformation, Transformation roles and RACI into Retail organisation

6 months implementation support

Transformation Scope

- Delivery Capabilities
- Operating Model
- Enhanced Labour Modelling
- Labour Flexibility

- **Identified and closed gaps in existing delivery capabilities** – Strengthening cross-functional thinking and accountability, defined core implementation process and developed financial tracking tools
 - **Developed Playbook**, setting out new ways of working to embed Transformation Office into the retail business
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- Accelerated **design and implementation of key operating models**: Process re-engineering, proposition simplification, task removal and reduction, and others
 - Introduced **rigour and structure into transformation delivery** of in-flight initiatives
 - Focused on **adoption approach and impact assessment**
-
- **Redesign of the labour model** – Simplification of core categories, increased flexibility and agility by changing fixed cost to variable, improving transparency
 - **Data-driven labour demand** - Integration of EPOS and Supply Chain data to forecast labour based on customer demand and supporting operating model changes
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- **As is analysis of contracted position at each store**, creating transparency into size of the challenge and store-specific opportunities
 - Centrally-led prioritisation of levers for changing contracted position and introducing flexibility, considering as is state, colleague engagement, technology options and Unions positions

SANITISED VALUES

Financial benefits

Annual cost reduction opportunity

£120-270m (short term) + additional £300m cost opportunities largely through cross-functional programmes (mid-term)

Enabler

c.£200m across 3 workstreams

Note: Some values and details have been changed or rounded up/down to protect confidentiality

The transformation brought systemic agility and flexibility into 3 core retail areas and allowed our Client to better respond to future trading environments

1 Customer Centric Operating Model

Tailored Operating Model Decisions, based on a set of 'design principles' that prioritise customer proposition

- **Customer Decision and Mission** – leveraging customer insight to understand key drivers of customer decision process
- **Developing the right proposition** – Define the overall category strategy in terms of SKUs and Range and quality expectations
- **Tailored Operating Model** – Align operating model to customer experience and profitability, based on the right proposition, process re-engineering, simplification/removal of tasks, etc

2 Flexible and Variable Labour Model

Designing a data-driven labour model that is more variable and responsive to changing customer demand across categories, channels and checkout options

- **Labour Model Simplification** – Simplified General Merchandise and Clothing labour model for stores with low GMC customer demand
- **Increasing variability and responsiveness to customer demand** – Front end flexible labour model removes minimum manning across front end and allocates labour based on EPOS data on customer participation and demand
- **Data Driven Labour Demand Across all Core Store Processes** – Integration of EPOS and Supply Chain data into labour model to improve demand forecasting

3 Increased Workforce Flexibility

Capitalising on the opportunity to reduce the unproductive hours by increasing flexibility and improve the contracted position

- **Current contracted position** – developed store by store analysis of contracted position vs demand
- **Defined priorities for reducing contracted hours** - Attrition a key lever, together with Voluntary Reduction in Hours and Redundancies, avoiding buy out of contracted hours
- **Defined levers for increasing flexibility** – Increasing Colleague availability and Multi-skilling key levers, combined with more flexible schedules, but deprioritised renegotiating existing contracts

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WHEN IT REALLY MATTERS.