A Good Jobs system carries three types of benefits for companies

<table>
<thead>
<tr>
<th>What the benefit includes</th>
<th>Examples</th>
</tr>
</thead>
</table>
| **Cost Mitigation**       | ▪ Employee turnover  
                            ▪ Inventory shrink  
                            ▪ Overtime pay |
| Existing **P&L costs that could be reduced** through a stable workforce and improved operational execution |

| **Revenue Uplift**        | ▪ Fewer stockouts  
                            ▪ Higher basket size and transaction volume due to increased satisfaction and loyalty |
| Potential **increases in revenue** stemming from improved operational execution and higher customer satisfaction and loyalty |

| **Labor Productivity Gains** | Time managers & employees waste...  
                             ▪ Managing absenteeism  
                             ▪ Dealing with long delivery windows  
                             ▪ On no-value display resets |
| Hours spent on activities that do not add value for customers and frustrate employees, that could be redeployed to higher-value activities |

**Notes on how to quantify**

- The relative size of benefits varies by company, but **revenue uplift is expected to be the largest**
- Companies should look at productivity gains in both **hours & dollars**, as it will likely make sense to **redeploy some hours** to achieve better customer service
To illustrate these benefits, we created a fictional example of a mid-sized grocery retailer – “GroceryCo”

GroceryCo key summary stats¹

- # of stores: 500
- Top-line revenue: $9bn
- Profit: $200m (2.2% profit margin)
- In-store employees: 45,000 (40,000 of whom hourly)
- Average starting wage: $10.00 / hour
- Average overall wage: $13.50 / hour
- Average hours worked per week: 29 hours
- Average customer basket size: $34.61
- Employee turnover: 60%
- Cost of employee turnover: $3000 per employee
- Shrink: 3.6% of sales

¹ Assumptions are based upon industry averages wherever available
For GroceryCo, cost improvements and revenue uplift drive a ~$165 million annual earnings lift; labor savings are captured separately.

**Potential uplift from Good Jobs System, $ millions, millions labor hours**

- **Current profit**: 200
- **Cost improvements**: 94
- **Revenue uplift**: 69
- **Pro forma profit**: 363
- **Labor hours available for redeployment or savings**: 7.2

**A** Companies can quantify the cost mitigation opportunity by **summing all major costs driven by the current system** – e.g., the full cost of turnover or shrink – and then **estimating how much we could reduce those costs** with a Good Jobs system.

**B** Companies can estimate potential uplift with **benchmarks**, either external (e.g., general retail) or internal (e.g., poor-performing vs. high-performing doors), and apply a gross margin to assess P&L impact.

**C** Companies can capture **“wasted” labor hours**, which can be redeployed or saved, in terms of hours per store per day, based on a combination of schedule analysis, observations, interviews, and survey data; based on our experience with retailers, we **assume 25% of labor hours are spent non-productively** at GroceryCo.
Companies can easily gather the data required for the above analysis

<table>
<thead>
<tr>
<th>Basic company data</th>
<th>Financial &amp; operational data</th>
<th>Labor estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Number of stores</td>
<td>▪ Employee Turnover</td>
<td>▪ Non-value add labor hours</td>
</tr>
<tr>
<td>▪ Number of selling days</td>
<td>▪ ▪ Annual rate</td>
<td>▪ This includes hours per week responding to long delivery</td>
</tr>
<tr>
<td>▪ Wages (average, starting, overtime)</td>
<td>▪ ▪ Cost per separation</td>
<td>windows, re-setting up displays, responding to absenteeism,</td>
</tr>
<tr>
<td>▪ Labor hours / employee</td>
<td>▪ ▪ Shrink</td>
<td>adjusting to last-minute promotion changes, dealing with</td>
</tr>
<tr>
<td>▪ Number of employees (frontline, managerial)</td>
<td>▪ ▪ ▪ Annual cost</td>
<td>broken tools, waiting for manager approval, etc.</td>
</tr>
<tr>
<td>▪ Number of transactions per store per day</td>
<td>▪ ▪ % related to store execution</td>
<td>▪ It may also include hours spent idle due to lack of</td>
</tr>
<tr>
<td>▪ Annual sales from brick &amp; mortar stores</td>
<td>▪ Stockouts</td>
<td>cross-training (e.g., cashier time when there are no lines)</td>
</tr>
<tr>
<td>▪ Gross profit margin</td>
<td>▪ ▪ Stockouts as % sales</td>
<td>or inefficient scheduling</td>
</tr>
</tbody>
</table>

Employee Turnover
- ▪ Annual rate
- ▪ Cost per separation

Shrink
- ▪ Annual cost
- ▪ % related to store execution

Stockouts
- ▪ Stockouts as % sales
- ▪ % related to store execution

Misc
- ▪ Number abandoned transactions
- ▪ Number / size pricing errors
- ▪ Avoidable legal fees

Non-value add labor hours
- ▪ This includes hours per week responding to long delivery windows, re-setting up displays, responding to absenteeism, adjusting to last-minute promotion changes, dealing with broken tools, waiting for manager approval, etc.
- ▪ It may also include hours spent idle due to lack of cross-training (e.g., cashier time when there are no lines) or inefficient scheduling
**Total cost opportunity “size of prize” analysis, $ millions**

<table>
<thead>
<tr>
<th>Area</th>
<th>P&amp;L impact</th>
<th>Description</th>
</tr>
</thead>
</table>
| Employee turnover             | 72         | ▪ Direct hiring costs  
▪ Direct training costs  
▪ Low productivity of new hires  |
| Shrink                        | 324        | ▪ Product shrink is exacerbated by poor operational execution               |
| O/T and unplanned labor       | 0          | ▪ Overtime costs from unplanned absences and staffing changes*             |
| Legal and compliance          | 10         | ▪ Burden of dissatisfied employees  
▪ Preventable accidents       |
| Other                         | 0          | ▪ Other costs (e.g., pricing errors)*                                      |
| **Total impact**              | **406**    |                                                                             |

* For simplicity, we assume these costs are zero for GroceryCo; for an actual company, we would incorporate these.

- The calculations here represent the “**total opportunity size**” and not realizable P&L impact.
- Even with best-practices and full implementation of a Good Jobs system, **these costs likely will not go to zero**, as there will always be some amount of shrink, employee turnover, etc.
**Cost improvements:** once a company knows the “size of prize”, they can estimate the cost reduction opportunity

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**Employee turnover vs. benchmarks example, % per annum**

- **Current turnover:** 60%
- **External benchmark:** 50%
- **Internal benchmark:** 40%
- **Good Jobs Target:** 45%

**Shrink vs. benchmarks example, % sales**

- **Current shrink:** 3.6%
- **External benchmark:** 2.7%
- **Internal benchmark:** 1.8%
- **Good Jobs Target:** 2.7%

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**How it works**

- For each component of the cost opportunity (e.g., employee turnover, shrink, pricing errors), a company can set a *‘Good Jobs Target’*: the number we would expect if a Good Jobs system were in place (e.g., a 45% employee turnover rate, down from 60%)
- The target can be based on both external and internal benchmarks, as well as what management thinks is achievable
  - External benchmarks are industry comparisons
  - Internal benchmarks are from top stores (e.g., top 25th percentile)
- Targets are used to estimate cost savings (e.g., if 60% turnover costs $72M annually, reducing turnover to 45% would save ~$18M)
- Targets can also be used to understand what would have to be true in terms of improvement to generate a given ROI

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*To calculate the “Good Jobs” value of shrink, companies should use the new sales figure (with higher transactions, basket – see next page)*
## Revenue uplift: the revenue opportunity is based on stockout improvements and service-driven transaction and basket gains

<table>
<thead>
<tr>
<th>Area</th>
<th>Revenue impact, $ millions</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in stockouts</td>
<td>84</td>
<td>▪ Estimate reduction in stockouts (as % sales) from a Good Jobs system using external &amp; internal benchmarks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Apply the new stockouts percentage to the new sales figure (incl. higher transactions &amp; basket), and subtract from old stockouts $</td>
</tr>
<tr>
<td>Foregone sales caused by inventory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>mismatch, items mis-shelved, or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other preventable causes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased transaction volume</td>
<td>100</td>
<td>▪ Estimate abandoned transactions impact in same way as stockouts</td>
</tr>
<tr>
<td>More transactions from higher traffic (new and existing customers) and/or increased conversion (incl. reduced abandonment)</td>
<td></td>
<td>▪ Estimate potential transaction lift from better customer loyalty and WOM using benchmarks; helpful to run scenarios to understand how much of a lift would be needed to pay for Good Jobs investments</td>
</tr>
<tr>
<td>Increased basket size</td>
<td>91</td>
<td>▪ Estimate potential basket size lift in the same way as transaction lift</td>
</tr>
<tr>
<td>Sales uplift driven by improved customer service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue gain</td>
<td>275</td>
<td></td>
</tr>
<tr>
<td>Total P&amp;L impact</td>
<td>69</td>
<td>▪ Apply gross margin to revenue improvement</td>
</tr>
<tr>
<td>Gross margin of revenue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The reduction in stockouts and abandoned transactions, if captured as a % of sales, need to take new sales numbers into account
The Good Jobs Institute is a non-profit that was founded in 2017 to help companies thrive by creating good jobs.

Visit us at www.goodjobsinstitute.org for more information, and to learn about our Good Jobs calculator.