Increasing Sales Productivity through Predictive Analytics

Global Retail and Hospitality Talent Summit – Dubai, April 2016

Kjersti A. Evensen, Office Manager/HR business partner, Elkjøp Nordic AS
AGENDA

- Elkjøp Nordic at a glance
- Project goals
- Pre-project business case
- Our recruitment process
- Adjustments and development
- Updated business case
- Future plans
Elkjøp Nordic - market leader in the Nordics in electronic retail

Elkjøp Nordic at a glance

3,22b€
revenue in 2014/15

~222m€
4,2% revenue growth (fx-neutral)

~111m€
Profit in 2014/15

~9100
Employees

377
Stores

>25%
Nordic Market share (Market share number 2 = ~7%)
Last year we had…

2015

4,3 million customers contacting our call centre

61 million customers visiting our stores

197 million customers visiting our websites

120 000 Applicants applying for a job
Our goals

- To hire the right people in the right roles
- Tailormade and simple process for our recruiters
- Minimal use of resources
- Use certified and well-documented methods
- Non-discriminating
- Same criteria and methods in all chains across Nordics
- Employer branding
- Increase profit and save costs
It’s about finding the right people for the right positions

• Competitive advantages through people
• Identifying the best candidates
• Different abilities and competencies are important in different positions
• How to recognize the candidates who will succeed in our organization?
• Security for both recruiters and applicants
### Business Case

**Reducing bad recruitments**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Number</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>20% turnover</td>
<td>2,000 recruitments</td>
<td>23,000€ cost/recruitment</td>
</tr>
<tr>
<td>10% due to bad recruitments</td>
<td></td>
<td>4.6 M€ cost per year</td>
</tr>
</tbody>
</table>

**80% reduction in bad hires**

**3.68 M€ Potential savings**
Business case
Use of internal resources

- 3 hours
- 2,000 recruitments
- 39 € per hour
- 6,000 hours

234,000 € potential savings
Business case
Own recruiting

30 management positions each year can be recruited with own resources

Cost per recruiting - external supplier:
38,000 €* x 30 = 1,140,000 €

Cost per recruiting - own recruitment:
5,500 €* x 30 = 165,000 €

975,000 €
potential savings

* Excl salary in trial period, training etc
Business case

Increased sales

*Study done by cut-e for retail company in UK:*
- Productivity increased by 14% in sales and better performance in general in stores by selecting people using tests and structured process.

<table>
<thead>
<tr>
<th>394€</th>
<th>14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>average sales</td>
<td>increase in sales by hiring score 3-5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>55€</th>
<th>600</th>
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<tbody>
<tr>
<td>extra revenue per seller</td>
<td>new sellers</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>33 M€</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>total EXTRA revenue</td>
<td>margin</td>
</tr>
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</table>

6.600.000 €

potential extra margin
STUDY - Return On Investment (ROI)

Own sellers – difference in sales between the best and the lowest scores on testing

Average Relative Sales Contribution to Store Revenue
(Test Match Score of 3 is Baseline)

% Higher Contribution to Store Revenue

- 58 %   - 40 %   0 %   + 26 %   + 50 %

+14%
### Summary business case

#### Financial upsides

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount (€)</th>
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<tbody>
<tr>
<td>1</td>
<td>Hire the right person</td>
<td>3,680,000</td>
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<tr>
<td>2</td>
<td>Time saved in administration</td>
<td>234,000</td>
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<tr>
<td>3</td>
<td>Own recruiting of managers</td>
<td>975,000</td>
</tr>
<tr>
<td>4</td>
<td>Extra sales/margin</td>
<td>6,600,000</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL UPSIDE</strong></td>
<td><strong>11,489,000</strong></td>
</tr>
</tbody>
</table>
The recruitment process

- All recruitments are handled through Easycruit
- ALL candidates are tested
- Screening on abilities, personality, bioadata and structured interviews

Example of screening effect with **166 applicants** – cashier Oslo store:
Which tests do we use in Elkjøp?

- scales ix
- scales lst
- scales lct
- scales mt-2
- scales spr
- sjq for sellers
- shapes basic
- shapes sales
- shapes management
- (shapes executive)
- ++
Ranking candidates – integration cut-e + Easyrecruit

<table>
<thead>
<tr>
<th>Søknadsdato</th>
<th>Navn</th>
<th>Alder</th>
<th>Status</th>
<th>Vise</th>
<th>Slett</th>
<th>Smittscore</th>
<th>Samlet score</th>
<th>Rapport</th>
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<tr>
<td>14.03.2016</td>
<td>Barthelson, Linne</td>
<td>21</td>
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<td>Ny</td>
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<td></td>
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Recruitment reports

- Tailormade for Elkjøp
- All results in one picture
- Easy to spot the best candidates and see their strengths
Structured competency based interview

- Check if hypothesis is correct
- Relate candidate’s answers to defined competencies
- Same questions for all candidates
- Structured and comparable
- Notes for evaluation
Finetuning and development
Verifying our assumptions and adjusting process elements

• Store- and department managers
• Questback surveys to all applicants and recruiters
• Customer service centre employees
• Sales colleagues – new test
Feedback
What do our applicants and store managers say?

"I have used cut-e on more than 400 applications now = FANTASTIC ! Works like hell!"
Store manager, Sarpsborg, Norway

808 applicants for different positions in new store in Bergen:

"I can strongly recommend cut-e as a recruiting tool. We will not hire anyone without using this in the future."
MD for 4 franchise stores in Bergen
Validation study Customer Service Centers

- High turnover
- Identify characteristics for high-performing employees
  - Stress resistance
  - Autonomy
  - Resilience
- Test bundle and bespoken report with match score
- Tests:
  - scales mt2 (multitasking)
  - scales lst (deductive logical reasoning)
  - shapes basic
- More inhouse recruiting
- Hiring “older” people
New SJQ test for sellers

- Study among sellers, store managers and department managers
- Preferred response to a given job situation
- Better face validity for candidates
- Different perspective for the recruiter
- 27 questions with Nordic normsets
Back to the business case
Business case
Use of internal resources

2

5

390.000

€
ROI – added value from new selection process

Relative individual sales before and after new selection process

Before/after new recruitment process

Before

after & verified as tested

Relative sales performance (%)

20
18
16
14
12
10
8
6
4
2
0

+0

+18

Our initial assumptions: +14
### Business case

Increased sales - calculations based on findings:

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| 71€ | 600 |
| extra revenue per seller | new sellers |

| 42,5 M€ | 23% |
| total EXTRA revenue | Higher sales margin |

**9.775.000€ potential extra margin**
**ROI - Business case update**

*Based on that everyone follows the procedures*

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<th>Assumed savings €</th>
<th>Real savings €</th>
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Recent improvements and focus ahead

The way forward

• Mobile adaptation in all chains
• Validation study on managers in stores
• Validation study on kitchen consultants
• Keep asking our candidates what they think
• Adjustments to tests and integration cut-e/Easyrecruit
• Get 100% of the stores on board