

ROI CASE STUDY

CERIDIAN DAYFORCE WORKFORCE MANAGEMENT - GUITAR CENTER



THE BOTTOM LINE

Nucleus Research examined Guitar Center's use of Ceridian Dayforce Workforce Management to identify the benefits of migrating from an in-house, manual, and excel-based human capital management system to a consolidated, cloud-based platform. Benefits included increased labor productivity and reduced labor costs facilitated through increased accessibility to system resources and reduced errors and overages in scheduling and reporting.

ROI: **1035%**

Payback: **1.2 months**

Average annual benefit: **\$7,851,528**

THE COMPANY

Guitar Center is one of the largest retailers of musical instruments with annual revenues exceeding 2 billion dollars. They are an established organization with over ten thousand associates currently operating in more than two hundred fifty retail outlets spanning multiple states, and the one of the largest volume web and catalog instrument fulfillment business.

THE CHALLENGE

Guitar Center was using a manual workforce management system consisting of a combination of terminal-based time and attendance, and excel-based scheduling and tracking. The company was looking to move off of disparate systems and internal, manual spreadsheets to a consolidated solution platform capable of integrating with its payroll provider and providing labor resource and scheduling analytics. Guitar Center's challenges leading to their selection of Dayforce WFM included:

- Employees were losing time clocking in and clocking out at terminals that could not be preprogrammed for eligible entry and leave times.

- Stores were experiencing 20 percent overscheduling to accommodate potential dropped shifts and peak customer periods.
- Manager productivity was being spent manually building and maintaining schedules.
- The company was struggling to correlate retail sales drivers with labor allocation to determine where to place sales representatives to increase sales opportunities.
- Stores experience high rates of employee turnover, and managers were constantly reshuffling the manual schedules with limited visibility, producing errors in employee placement.
- Payroll data was being manually assembled prior to sending to the payroll provider resulting in the need to resubmit in the event of a reported error from the payroll provider.

Guitar Center needed to select a consolidated solution to unite workforce management and HR, and improve data communications to the company's payroll provider. The company also needed to select and integrated, cloud-based solution to optimize the business case for migrating to a sustainable and scalable platform.

THE STRATEGY

Guitar Center recognized many of the issues facing its store management and selected Dayforce WFM:

- Dayforce WFM provides capabilities to increase visibility into scheduling to more efficiently determine where staff should be allocated to drive sales opportunities
- Dayforce WFM's task manager automates communications letting managers relay responsibilities to employees and reducing time in communications.
- Dayforce WFM automates scheduling and reporting giving managers metrics about the performance of their sales staff and automating compliance, absence, and availability for shift management.
- Dayforce WFM automatically prepares payroll data as part of the internal reporting capabilities reducing errors prior to sending the data for processing.

"We are using the full expanse of their workforce management. The motivation for us to select Dayforce was to move off of disparate systems and internal, manual spreadsheets to one system. We had beautiful spreadsheets designed by intelligent people but we needed a tool."

- Alexander Khumadis, Guitar Center

Guitar Center deployed Dayforce WFM in 2010 following a 5 month implementation. The company rolled out individual modules in phases over the 5 month period to all retail outlets. Although adopted chain-wide, 50 percent of the stores utilized Dayforce's recommendations in the first year, 80 percent by the end of the second year, and 95 percent by the end of the third year.

KEY BENEFIT AREAS

Moving to an automated solution that consolidated scheduling, absence management, time and attendance, payroll integration, configurable forms, and automatic compliance checks improved Guitar Center’s performance metrics and drove down the cost of operations. Main benefits of the project included:

- **Reduced costs.** Prior to implementing Dayforce WFM, Guitar Center was experiencing a 20 percent overscheduling rate as a precaution around accommodating irregular demand. Dayforce WFM enabled Guitar Center to reduce overscheduling costs by 15 percent. Dayforce WFM also enabled Guitar Center to reduce errors in payroll data provisions and set parameters for acceptable time punches, reducing the cost of errors in compliance and disparities between time punches and shift times.
- **Increased productivity.** Dayforce WFM provided mobile self-service for employees and managers reducing the time needed to access the terminal time clock, and enabling managers to set parameters for eligible clock-in and clock-out times. The solution’s automated scheduler also increased the productivity of management by reducing the amount of time needed to assemble, review, and alter excel-based schedules and manage absence and leave.

Types of Benefits



KEY COST AREAS

Costs of the project included an initial activation fee, annual subscription fees for Dayforce WFM, and consulting fees that vary per year based on the amount of hours purchased by Guitar Center. Internal costs included the amount of time IT and HR personnel spent implementing and maintaining the solution and time employees and managers spent in training. Guitar Center allocated finance, project management, payroll, HRIS, IT, and planning personnel to the implementation of Dayforce WFM, and the company created a new position specifically for Dayforce WFM support. The company provided internal training as part of regular store meetings to onboard employees with the new system.

Cost : Benefit Ratio | 1 : 11.7

BEST PRACTICES

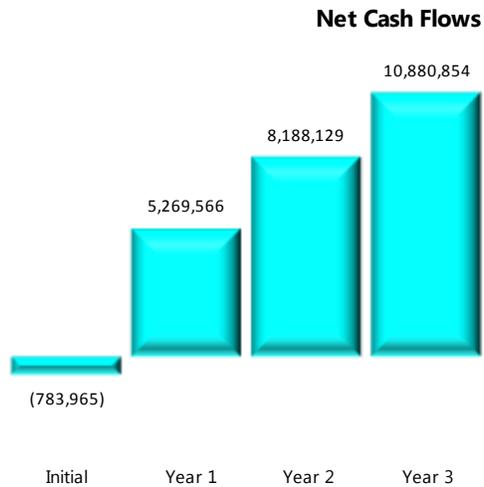
Retailers often grapple with high turnover and have to establish long-term onboarding and training programs to accommodate frequent changes in the employee base. While the implementation of cloud-based HCM solutions is trending away from requiring large amounts of training, Guitar Center’s strategy to provide training as part of the regular store meeting ensures that every employee is on the same training program for using Dayforce WFM.

Migrating from a manual system to a cloud-based, consolidated, and automated system can also be complex in terms of data migration from existing, internal records. Guitar Center looked beyond the initial solution implementation requirements to focus on how the new modules would enable them to reduce its overhead risk caused by overscheduling, labor optimization, and absence and leave management. Focusing on the solution’s metrics enabled Guitar Center to start a new scheduling cycle following the implementation of Dayforce WFM without a succinct need to import existing data.

CALCULATING THE ROI

Nucleus calculated the costs of software subscription, activation, and initial and ongoing support over a 3-year period to quantify Guitar Center’s investment in its deployment of Dayforce WFM.

Direct benefits were realized through the elimination of terminal time clocks, reduction in payroll error costs, reduced excess leave, clock rounding, and clock accessibility costs, and reduced labor costs.



Indirect benefits were realized through increased labor productivity facilitated through solution automation and mobile self-service capabilities. Nucleus found that Guitar Center was saving about 3 minutes in employee time per day using Dayforce WFM through a combination of eliminating time clock access time and accessibility through self-service. Productivity savings were quantified based on the average annual fully loaded cost of an employee using a correction factor to account for the inefficient transfer between time saved and additional time worked. Not quantified is the increased productivity in scheduling that is associated with driving larger sales opportunities.

CERIDIAN FINANCIAL ANALYSIS

Prepared for: Ceridian

Annual ROI: 1035%

Payback period: 0.1 years

| ANNUAL BENEFITS | Pre-start | Year 1 | Year 2 | Year 3 |
|-------------------------|------------------|------------------|------------------|-------------------|
| Direct | 4,350 | 3,486,173 | 6,211,724 | 8,373,004 |
| Indirect | 0 | 2,379,101 | 2,551,973 | 2,745,070 |
| Total per period | 4,350 | 5,865,274 | 8,763,697 | 11,118,074 |

| CAPITALIZED ASSETS | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|------------------|---------------|---------------|---------------|
| Software | 0 | 0 | 0 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Project consulting and personnel | 0 | 0 | 0 | 0 |
| Total per period | 0 | 0 | 0 | 0 |

| DEPRECIATION SCHEDULE | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|------------------|---------------|---------------|---------------|
| Software | 0 | 0 | 0 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Project consulting and personnel | 0 | 0 | 0 | 0 |
| Total per period | 0 | 0 | 0 | 0 |

| EXPENSED COSTS | Pre-start | Year 1 | Year 2 | Year 3 |
|-------------------------|------------------|----------------|----------------|----------------|
| Software | 292,000 | 358,488 | 370,488 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Consulting | 50,000 | 15,000 | 12,000 | 10,500 |
| Personnel | 193,875 | 155,500 | 126,500 | 155,500 |
| Training | 252,440 | 66,720 | 66,580 | 71,220 |
| Other | 0 | 0 | 0 | 0 |
| Total per period | 788,315 | 595,708 | 575,568 | 237,220 |

| FINANCIAL ANALYSIS | Results | Year 1 | Year 2 | Year 3 |
|--|----------------|---------------|---------------|------------------|
| Net cash flow before taxes | (783,965) | 5,269,566 | 8,188,129 | 10,880,854 |
| Net cash flow after taxes | (431,181) | 2,898,261 | 4,503,471 | 5,984,470 |
| Annual ROI - direct and indirect benefits | | | | 1035% |
| Annual ROI - direct benefits only | | | | 708% |
| Net Present Value (NPV) | | | | 11,096,091 |
| Payback period | | | | 0.1 years |
| Average Annual Cost of Ownership | | | | 732,270 |
| 3-Year IRR | | | | 720% |

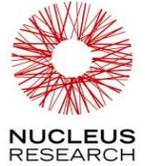
FINANCIAL ASSUMPTIONS

| | |
|----------------------|------|
| All government taxes | 45% |
| Cost of capital | 7.0% |



By the Numbers

Guitar Center's Dayforce Workforce Management Project



Annual Return
on Investment **1035%**

1.2 months
The total time to value, or **payback**
period, for the project

Cost : Benefit
Ratio **1 : 11.7**

\$7,851,528
Average annual benefit

THE PROJECT

Guitar Center deployed Dayforce WFM to automate timekeeping, scheduling, absence management, and payroll data provisions and to provide data access through self-service. Nucleus found this enabled the company to increase the productivity of managers and end-users and reduce costs of operations, errors, and labor management.

THE RESULTS

Reduced overscheduling by 15%
Reduced task management timing by 30 minutes per task
Increased labor and management productivity

Number of users: 11,000

5 Months
Total time for the company to
deploy Dayforce

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