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ANALYSIS AND BENEFITS OF
ASSISTED STAFFING SOLUTIONS

***A New Paradigm in retail merchandising and in store
construction services***

White Paper

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Overview

Over the past five to seven years, the retail fixture installation and continuity service industry (called Merchandising Service Organizations or MSO's) has seen tremendous consolidation along with a substantial reduction in fees being offered for these services by retailers and manufacturer vendors¹ alike. In the early part of this new century it was common for MSO's to be paid \$40-\$45 per hour for their services. Some recent RFP's have been awarded for as little as \$28 per hour for fixture installation and below \$14 per hour for continuity work.

To compound the steep price reductions, retailers and manufacturer vendors are also requiring national coverage. This new requirement creates a significant problem for most MSO's in they either do not have the national reach needed (in reality, even though many advertise they do) or cannot compete in bidding because they have to include the cost of extensive travel and related expenses.

The current recession² and overall business climate has all MSO's bidding for the same, ever decreasing, pool of available work; recruiting and hiring the same type of field staff in all areas of the country and attempting to maintain these staffs when the work in that particular geographical area is inconsistent, at best, or dries up.

These new national coverage, operational and cost containment problems are forcing many MSO firms to close their doors or sell their customers accounts to more competitive agencies. This, we feel, "is a growing problem that needs to be addressed with a "turn key" solution that solves all the above problems while protecting the profitability, culture, confidentiality and contractual terms of customer contracts of MSO firms".

History

The history of the retail fixture installation and service continuity industry has evolved very quickly over the past twenty years. In the past, the standard Manufacturer Representative firm handled the regional or buying office sales functions for most manufacturer vendors. Either the retailer or manufacturer provided the appropriate sales or service support. The retailers either did the work themselves, contracted out or had the manufacturers provide for any reset services needed. As retailers grew in proportion through natural attrition and consolidation, competition grew with new entrants into key retail markets such as home improvement, mass merchant and food/drug; the need (and later requirement) for regular in-store continuity work and reset support grew at a much faster rate having realized the inherent values in merchandising services.

Manufacturer vendors and retailers turned to MSO's to bridge the gap between what was required at retail versus what the manufacturer vendor could reasonably provide as a non-core business function.

As time moved on, the larger retailers identified that having hundreds, if not thousands, of different MSO firms in their facilities created tremendous risk exposure with regards to:

- liability and management
- consistent product display and maintenance practices
- plan-o-gram and SKU integrity
- overall program measurability.

There were also risks related to MSO firms employing independent contractors that were not properly screened to do the work in the stores – retailers did not know what type of person was in their stores.

In response to the above, more and more retailers required control over these services. This was achieved through:

- reducing the number of MSO firms in their facilities
- by establishing very strict and specific guidelines
- by taking the vendor paid programs in-house and managing them for the vendors³

- by requiring a limited number of groups to comply with a national platform (among other requirements that we will not cover at this time).

This single shift in the paradigm of servicing retailers will reduced the number of MSO firms by an estimated 40%⁴!

These programs have now evolved at the retail level to now include most, if not all, services being provided directly by the retailer-owned service divisions while still being funded by the manufacturer vendors. It has become quite obvious that the level of control for vendors at retail has been significantly diminished.

The ultimate result of the consolidation of the MSO industry by large retailers has left all vendors and service groups scrambling for:

- lower cost solutions
- new business models for in-store service and merchandising
- new revenue streams to support lower margins
- and, in most cases, costly development of national programs

THE SOLUTION

The only real solution to combat the increasing competitiveness and lack of stability in the MSO industry is to make accessible to MSO firms:

- A low cost labor pool where the customer and the field service rep can freely negotiate a rate of pay based on market supply & demand and other variable factors (similar to an “open market” of labor hours like the stock or commodity exchanges).
- A national database with thousands of local, qualified part (and full) time workers (including their work history, ratings and certifications).
- A national database with available field reps with a varying degree of job specific expertise i.e. reset, continuity, demo, sales support, merchandising and front end check-out management, etc.
- The ability for customers to sell their hourly employees excess available labor hours AT A PROFIT.

- The ability of customers to access industry changing innovative software for their own use to:
 - Schedule
 - Hire
 - Train
 - Report
 - Sell excess labor hours.
- The ability for select customers to outsource their hourly workers into the SASR system while protecting these employees from being hired away by other competing firms, all at a much lower operating cost than currently being incurred by the customer INCLUDING a wide array of mega group benefits for their employees.
- Access to low cost, professional recruiting, hiring and on-boarding services (incl drug testing and criminal background checks) along with articulate training and career advancement programs.

INTRODUCING “OPEN ACCESS PLUS” FROM SASR

Set and Service Resources LLC is a “Pro Temporal”⁵ staffing solution provider located in Raleigh, NC. The company was launched in 2001 as a regional provider of temporary staffing to the home improvement industry and to fixture installation companies.

SASR has evolved into a nationally recognized provider of turn-key assisted program staffing solutions for both, full-time and part-time applications. In addition to providing pro temporal services, SASR also offers a full suite of services that includes recruiting, hiring, on-boarding, training, scheduling, reporting and off-boarding employees.

With years of experience in the Retail Service industry, SASR understands the challenges companies face in hiring and retaining qualified, dependable workers. With a commitment to meeting the needs of our customers, SASR provides supplemental and permanent placement services and innovative workforce technology solutions. Utilizing our extensive online database, our customers tap into a nationwide pool of professional, dependable labor necessary to service both, the manufacturer and retail clients.

We save you time and money!

SASR's staffing and recruiting services save you time and money by handling the entire recruiting, screening, hiring, and even the staffing management process. On-line you can view each worker's skills, abilities, work history, ratings and distance from store locations. Not only do we have the resources and expertise to find the right labor resources that meet your needs, we also handle associated payroll and insurance requirements providing a total supplemental labor solution including:

- Interviewing
- Background checking
- Drug screening
- Unemployment, state and federal taxes
- FICA
- Workers' compensation
- Certifications
- Training
- Year-end W2 mailings
- Various other payroll expenses
- Consolidated billing

Summary

The lessons learned from this White Paper is the MSO industry has entered an era of uncertainty due to industry consolidation, economic recession, rising costs of doing business while having downward pricing pressure from customers. Retailers and manufacturing vendors alike are demanding:

- National reach
- Project sensitive pricing
- Field execution using a quality labor force with varied skills
- Quick execution and problem resolution
- Visibility and real-time reporting

This has resulted in many firms closing or selling their businesses. With the end of the recession probably not coming until late 2010⁶, and with the delay

of economic recovery for another year, MSO firms will need to re-write their business plans to include, at a minimum, access to a national low cost quality workforce that has little or no travel costs. In addition, by sharing quality hourly employees with other firms, MSO's can take full advantage of the exponential size and quality of their combined quality workforces! As this type of labor becomes a treasured commodity, as in other industries, successful firms will soon realize that controlling labor costs is the only solution to profitability and even possibly, survival.

If you would like a customized presentation of the services that Set and Services Resources LLC has, please feel free to call Erik Hanvey, President, at 919-741-5638 or email Erik at ehanvey@sasrlink.com. You may also learn more about the full suite of services SASR has to offer at their web site at: sasrlink.com

¹ This term is used to identify vendors of retailers who manufacturer/ distribute products for sale at those retailers.

² <http://money.cnn.com/2008/12/01/news/economy/recession/>

³ i.e. Home Depot's ISS/MERM and Lowe's VSM programs

⁴ Internal data gathered by current and past reductions of MSO's in retailer consolidation programs and industry trends as compared to industry size prior to consolidation programs.

⁵ Derived from the Latin word pro tempore meaning "for the time being, moment, pro tem, temporarily.

⁶ <http://chronicle.com/news/article/5492/colleges-take-note-the-recession-will-end-on-august-3-2010> dated 11/14/08