

## White Paper



### Successful Store Execution - A Holistic Approach

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#### Abstract

Successful store execution involves selling profitably and satisfying customers, while keeping store associates motivated to accomplish the first two objectives. However, retailers' in-store efforts and investments have traditionally been piece-meal and disorganized. While there are several tools and enablers available, the key to ensure store execution excellence is to take a holistic approach

## The Store Execution Imperative

As the benefits from better supply chain management and supplier collaboration plateau, retailers are focusing on a customer's in-store experience as a way to differentiate themselves.

The store is where a retailer's strategies and efforts - be it an efficient supply chain or employee-friendly HR policy – converge. The level of a customer's satisfaction with the in-store shopping experience is the retailer's litmus test.

### A lost customer can cost \$200,000

AMR Research\* states, customers will stop shopping at a retailer after 3 negative experiences. These can include product out-of-stock, rude or uninformed sales associates, etc., all leading to a substantial loss in potential sales and goodwill. The lifetime value of these lost customers can be \$200,000 or more for a store, as estimated by Wal-Mart.

The Aberdeen Group observes that addressing inconsistent store execution is an important priority for over 90 percent of retailers. Further, 71 percent of retailers believe that improving in-store execution is critical to overall business success.

Traditionally, the retail industry has taken a rather limited view of Store Execution with the primary goal of streamlining retail workflow and consolidating all [corporate task assignments and communications](#) into a single view allowing stores to focus on their priorities. Instead, the scope and focus of store execution needs to cover all in-store activities that have a bearing on the retailer's bottom line – these could include customer service, managing tasks such as store promotion or new product launch, receiving inventory, and store manager-associate interaction.

Along with a comprehensive view of store execution, it is important that all retailer business and IT initiatives take a holistic look at store operations. For example, a POS upgrade will improve checkout efficiency, but it could also impact other store functions - loyalty/customer profile management program or time/attendance for store employees.

For a holistic approach, it is important to consider the three building blocks of store execution – selling profitably, satisfying customers, and motivating employees – along with tools to improve execution.

## Building Blocks of Store Execution

Good store execution relies on how well corporate strategies are executed by employees to [sell profitably](#) and [be motivated](#) to [provide high levels of customer satisfaction](#). In other words, store execution can be improved through more efficient store, back office and supplier collaboration processes leading to enhanced customer shopping experience. (See Figure 1)

[Selling profitably](#) depends on:

- Products being in stock/on the shelf
- Knowledgeable store associates who can help customers pick the right product
- POS systems with the right pricing/promotion information

[Customer satisfaction](#) can be ensured by:

- Providing products that meet customers' needs and wants
- Fast checkouts
- Store associates being at the right place at the right time

\**Transform your Stores: Enhance Customer Interactions with Advanced Selling Technologies* – Rob Graf, Sriram Thodla and Joyce McGovern, June 2005, AMR Research

Sales associates can be motivated by:

- Providing the right tools and job training
- Empowering them to make decisions
- Providing them some control over their work through flexible working hours, schedules and appropriate benefits



Fig. 1.0 Building blocks of store execution

## Tools Available to Improve Execution

To achieve profitable sales, ensure customer satisfaction and motivate sales associates, leveraging the right tools is critical. (See Figure 2)

### *Improving customer satisfaction*

Today, the Point of Sale (POS) is transforming into [Point of Convergence – convergence of all channels – store, web, catalog, and convergence of all services customer may demand](#). This process has been accelerated by the availability of customer-enabling devices such as kiosks, portable/hand-held shopping devices and self-checkout, and employee-enabling devices such as handhelds. POS systems now enable customer recognition, tracking purchase history, making personalized offers, providing product and pricing information, and line busting. These features are enabled by customer loyalty management and customer profile management processes and tools.

Some retailers are using web-based kiosks successfully for [line-busting](#) as well as [improving customer service](#). Recent advances include automated queue-busting applications allowing store associates with mobile computer systems to perform POS functions.

In-store signs and displays such as plasma screens and electronic shelf labels can be used for dynamic promotions. These can be based on product demand and inventory levels to provide price updates and localized offers.

## Selling profitably

Store inventory management processes help streamline in-store activities, improve merchandise management and productivity. These processes allow retailers to:

- Achieve a centralized, accurate and near real time view of store inventory
- Provide store managers with the ability to fine-tune orders using local knowledge and experience
- Flag items that are needed on the sales floor immediately, during the receiving process
- Effectively manage store-to-store transfers and returns process
- Reduce situations of excessive back shop inventory and insufficient stock depth on shelf

Store forecasting, ordering and replenishment – “End-to-end” pull-based planning packages enable store level forecasting and replenishment. These systems automate store ordering and reduce stock outs by nearly 35-50 percent, while achieving a 2-3 percent reduction in store level inventory.

Retailers can also use product/price data management processes to improve price integrity at the store level, increase speed to shelf for new items and promotions and reduce data management costs in the value chain.

Tools such as Cashier Monitoring Service (CMS) and sales audit software can significantly reduce shrink.



Fig. 2.0 Tools/enablers for store execution excellence

## Motivating associates

To improve employee motivation while managing labor costs, retailers can leverage improvements in workforce management processes and algorithms such as:

- Linking labor forecasts to store schedules based on sales forecasts and operating budgets
- Linking schedules to time and attendance, payroll and provide exception management through alerts
- Providing real time optimal workforce assignments across different activities considering variables like employee preferences, skills, availability, payroll budgets, corporate policy on part time / full time, etc.
- Enabling local overrides of centralized forecasts and schedules
- Providing performance and utilization tracking
- Calculating key metrics against stated goals and generating reports for enhanced visibility
- Matching skills with organizational requirements and employee preferences
- Enabling self-service for common administrative tasks like leave applications, online utilization status, etc.

A new concept - task management - is gaining popularity with retailers. The specialized software helps co-ordinate and prioritize unplanned tasks in stores. It ensures clear understanding of corporate priorities at the store-level along with execution compliance. Retailers who have implemented this software have

- Saved 7-15 hours a week of the store manager's time which can be now used for customer-facing and production activities
- Achieved up to 99% recall compliance
- Reduced up to 95% of email reminders to the manager

Task management works well with employee store portals, which can provide role-based, self-service opportunities for employees such as:

- Store managers' access to real-time pricing data, inventory levels and promotional efforts
- Merchandiser participation in enterprise-wide procurement collaboration and reaction and appropriate responses to sales information
- Online learning to help sales associates stay current and hone customer service skills
- Information on current scheduling, benefits and salary through personalized intranet for rotated and relocated store staff

## Holistic Approach for Store Execution Excellence

While it is critical for a retailer to understand and improve individual store functional areas, it is also essential to understand the linkages between them. This will enable retailers to factor in cross-functional impact. Additionally, it allows them to leverage capabilities in one area while defining the requirements for another.

Point of Service upgrade programs are no longer just about basic POS functionality. They now allow retailers to integrate several functions. These include loyalty/customer profile programs (collection of customer data for suggestive selling, up-selling, etc.), employee self-service functions (time punches, viewing schedules, viewing HR benefit details, requesting time-off, etc.), and employee store portals/access to other store and corporate applications.

Task management presents some obvious benefits in improving compliance to corporate projects/tasks. Integrated with workforce management, it can take store productivity to new levels.

Similar opportunities exist for store inventory management, store ordering and replenishment, and item data management.

With an integrated and holistic store execution approach, retailers can ensure that motivated sales people sell profitably while satisfying customers.

## About the Author

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