

Retail Operations

CASE
STUDY

Lean Retail Store Operations Management Routines

Applying Lean Six Sigma Principles in Retail Stores

Situation – How to implement lean retail store operations to help compete in the digital age

The big improvements were now complete. The distribution centers had a new warehouse management system. Expanded shared services centers absorbed order-to-cash work cycle tasks from the stores. A new data warehouse was in place to improve operational efficiency reporting.

The store manager noticed virtually no relief. The new daily store scorecard included over 30 line items but no simple productivity metrics. It did not relieve his daily retail store operations capacity planning challenges. He knew from his manufacturing background that the retailer was overlooking simple, lean, non-technology continuous improvement in its retail store operations.

Client Description, Project Scope, Objectives

Intentions were good. The CFO knew that better reporting improved operational efficiency across her U.S. division. Shared services accelerated cost cutting by transferring work out of the stores. And better HR operations improved new hire quality in the stores. But nobody invested time to understand what would help managers improve the retail store operations.

The company is one of the world's largest retailers. The division operates membership warehouse discount centers that are increasingly challenged by the relentless growth of digital competitors.

The CFO was familiar with lean principles. She knew that the stores were plagued by the classic 7 wastes targeted by lean six sigma: excess inventory, wasted motion, extra processing and more. She advocated kaizen events with store managers and initiative leaders. She viewed The Lab's non-technology improvement templates and lean transformation methodology as an even faster way to achieve this goal.

The implementation effort began with a 6-week Phase I analysis. This delivered a self-funding, guaranteed, non-technology, 6-month work plan for Phase II lean retail store operations implementation.

Lean Retail Operations Process Improvement Implementation Examples

The Lab implemented more than 200 non-technology process improvements. Examples:

Improved Retail Store Timesheet Accuracy—Timesheet errors created lost time for store personnel. Pharmacists contacted HR on Mondays to check their weekend overtime. Long hold times meant that pharmacists were idle. HR performed extra processing. And pharmacy customers waited. Three lean, non-technology improvements eliminated 95 percent of timesheet errors.

Report Usability Testing—Existing, text-heavy operating reports included unclear terms and acronyms. Detail was insufficient to monitor individual and team-level performance. The Lab installed simpler, lean "Daily Dashboards" and pilot-tested their usability. Supporting "drill down" pages enabled scrutiny of individual employee productivity.

Lean Operating Rules (LORs)—Most management methods were undocumented "tribal knowledge." The Lab used brief Daily Dashboard review meetings to document solutions to daily problems encountered by store managers and associates. These were simplified, standardized and documented in an easy-to-understand format as "Lean Operating Rules," or LORs.

Top 10 Global Retailer

Shared Services

United States

Project Sponsor:

Chief Financial Officer

Non-technology, self-funding operational improvement implementation:

- No new technology
- End-to-end improvement
- 6-month implementation

Project Objectives:

- Lean management routines
- Cost cutting benefits
- Operational efficiency gains

Project Scope:

- Finance
- Human resources
- Operations
- Customer service

Implementation Results:

- Operating cost ↓ 20%
- Annual savings \$2.4M
- Capacity improvement ↑ 15%
- Inbound errors ↓ 80%
- Break even point 6 mos.
- ROI (12 month). 2X

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