

Store Execution Versus Chaos Battle Plan

How to win the battle between headquarters' initiatives and stores struggling to carry them out

BY JOE SKORUPA

Retailers wage a daily battle between efficient store execution and store chaos. It's a relentless battle with no definitive winner because even the best laid plans for such everyday functions as promotions, price changes and seasonal resets often go astray.

Fortunately, merchants and marketing executives account for this by adjusting key performance figures downward to set realistic goals. This works most of the time, but every retailer ultimately learns there will be times when store chaos runs amok and blows the headquarters' plan apart.

Store chaos comes in many forms and includes missed deadlines, failure to restock promo products during peak periods, and poor in-store merchandising execution. When these errors pile up across stores, the result can be a loss of millions of dollars to the enterprise and damage to customer satisfaction and brand image.

In this Targeted Research report we identify store execution problems and uncover their cost on individual stores and the overall financial health of the enterprise.

Complexity Opens Door to Problems

No doubt modern retailing is complex, especially for national and large regional chains. And it is getting more complex everyday thanks to the proliferation of omnichannel functions ranging from click-and-collect to in-store shipping to mobile sales-floor services and more.

Complexity opens doorways to inefficiency. When things go right, everyone is happy and the headquarters' plan hits (or surpasses) financial goals. When things go wrong, no one is happy and financial performance struggles.

Study data indicates retailers firmly believe headquarters' plans have high value when set in motion with consistency and in a timely fashion, however they also believe there is a big gap in a store's ability to deliver them. (See Figure 1.)

The top problem areas in delivering timeliness and consistency are: stockout replenishment, overall compliance with headquarters' goals, promotions, and merchandising resets. These big-four problem areas are identified by looking at the delta between 'value' to the organization and 'ability' of

FIGURE 1

Value versus ability of stores to execute important operations on a timely and consistent basis.
(On a scale where 1 stands for lowest ability and 10 the highest.)

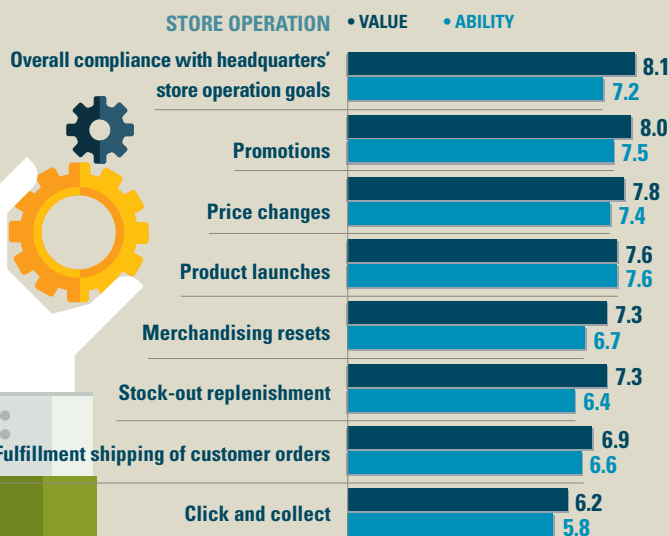


FIGURE 2

Top problem areas where retailers need to improve store execution to increase business performance
(Based on the delta between value to the organization and the ability of stores to execute.)

1. Stockout replenishment
2. Overall compliance with headquarters' store operation goals
3. Promotions
4. Merchandising resets



FIGURE 3

Top obstacles preventing stores from executing store operations accurately and on time

1. Heavier associate workload due to omnichannel activities
2. Stores need clearer guidelines and directions
3. Managers need better training
4. Lack of advanced, accurate visual merchandising tools
5. Lack of real-time data visibility to monitor store performance
6. Ineffective communication methods with stores
7. Associates need better training



stores to execute them. (See Figure 2.)

For many retailers, stores are struggling to maintain growth for a number of reasons, including the boom in online shopping, hyper competition and changes in consumer lifestyles. These macro-problems are difficult to solve. However, store execution problems in terms of consistency, timeliness and overall compliance are within a retailer's grasp, especially in the big-four areas identified in the study — stockout replenishment, overall compliance with headquarters' goals, promotions, and merchandising resets.

To make improvements happen, retailers should identify and overcome the major obstacles that hold them back. The top obstacle identified by retailers is a heavier associate workload due to the increasing list of omnichannel activities required at the store level. This includes in-store pickup and return of online orders, shipping from the store, online lookup of inventory and order status, and checking the status of a shopper's loyalty program. (See Figure 3.)

Another obstacle featured prominently on the list is a lack of clear guidelines and directions, a failing by top management that can be easily corrected. Other obstacles on the list focus on lack of training – for both managers and associates – and the need for better tools – accurate visual merchandising, real-time data visibility, and ineffective communication methods.

FIGURE 4

Major factors that need to be managed to improve store execution capabilities

1. Stores are struggling to meet financial goals (sales and profit)
2. Pressure to reduce costs
3. Evolution of digital (omnichannel) functions in stores
4. Pressure to reinvent and differentiate stores for the future
5. Competitors are changing the game

FIGURE 5

Importance of store associate, store manager and regional/field manager in meeting store execution goals (Using a 1-10 scale where 1 stands for completely unimportant and 10 stands for extremely important.)



CONNECTING HQ TO STORES FOR BETTER EXECUTION

Too many retailers rely on outdated, form-based intranets, emails and shared drives to keep track of what's going on with their stores. These tools - with low engagement and long feedback loops - aren't designed for retail, making it difficult for HQ to communicate efficiently and get visibility across stores.

Foko Retail was created to solve this unnecessarily complex problem, helping retailers better manage merchandising and operational compliance, communication, best practice sharing, document management, and training.

Foko Retail delivers both the art and science of in-store execution.

The *art of retail* is about helping teams better collaborate, communicate and share best practices. Foko Retail is modeled on the social platforms that people use daily in their personal lives, such as Facebook and Instagram, but with a detailed workflow to help retailers manage their day-to-day tasks more easily. The intuitive, mobile-first platform means teams can interact in real time without steep adoption curves or training. Since it's available on iOS, Android, and Web, you can access Foko Retail from anywhere, whether on a device in-store or from a desktop at HQ.

The *science of retail* is about helping retailers and brands better manage compliance, monitor store performance, and leverage analytics to make data-driven decisions. Foko Retail allows you to assign tasks and surveys, monitor the roll-out of new campaigns, identify areas of weaknesses and test out different displays. Get detailed analytics on execution to share with the leadership team, so you know for sure that every store is representing your brand to the fullest.



FOKO
R E T A I L

In addition to the above specific obstacles, which retailers should review and solve as a way to improve store performance, we also wanted to learn about macro-factors that have a major influence on store operations.

Topping the list is an inability to meet financial goals for sales and profits and, of course, the subsequent pressure from headquarters to hit established targets. This is closely followed by pressure to reduce costs, which is a predictable outcome for stores struggling to be profitable, although it could actually make matters worse. (See Figure 4.)

Focusing on Solutions

The workforce can make or break store performance and no staff member ranks higher in importance than the store manager. On a scale of one to 10, where one stands for totally unimportant and 10 for extremely important, the store manager receives a 9-point rating. This rating reflects the make-or-break importance of the manager in achieving store performance goals. (See Figure 5.)

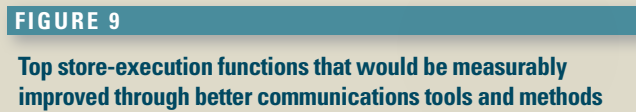
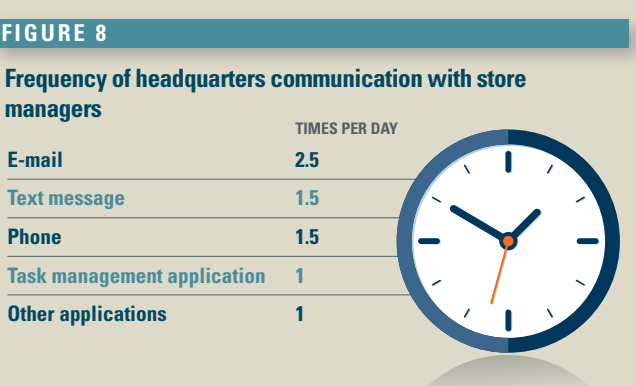
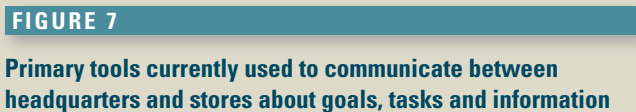
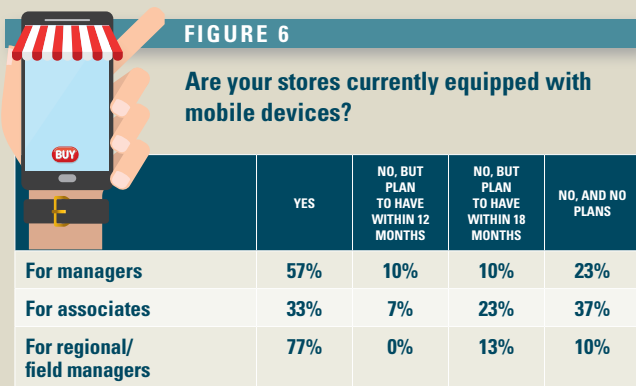
The high rating for the store manager is followed by a nearly equal rating for store associates (8.7). A bit further down the scale is the rating for the regional or field manager (7.7). Strong performance results require good team work by all members of the staff, but there is little doubt the store manager is the linchpin to success.

This fact makes it hard to comprehend why mobile devices

are always given to regional or field manager when they are deployed but not always to the store manager. We find that more than three quarters of retailers (77%) say they give mobile devices to regional or field managers while only 57% give them to store managers.

Some other interesting datapoints about headquarters-to-store communication include:

- Overall, the top method for communication between headquarters and stores is through e-mail. Not surprisingly, using a company intranet is last on the list. (See Figure 7.)
- The highest frequency rate of 2.5 times per day for communication between headquarters and store managers occurs through e-mail. This is followed by text messages and phone calls, both of which occur at a frequency of 1.5 times per day. Other headquarters applications, including task management, are used about once per day. (See Figure 8.)
- The top store-execution function that can be measurably improved through better communication methods is making price changes. This is followed by merchandising, marketing campaigns, product launches, promotions and training. (See Figure 9.)
- When the unexpected occurs, stores are too often slow to respond. The best response for the unexpected (See Figure 10.) is for weather-related events, however its rating is only 6.7 on a scale where one stands for lowest ability to respond and 10 for the highest ability. A 6.7 score means a slightly above



1. Price changes
2. Merchandising
3. Marketing campaigns
4. Product launches
5. Promotions
6. Training

1. E-mail
2. Manager's and associates' desktop and mobile devices
3. Manager's desktop computer and/or mobile device
4. Manager's (only) desktop and mobile device
5. Company intranet

average ability to respond, which indicates there is a lot of room for improvement. Near the bottom of the ability-to-respond list are two critical omnichannel functions – click-and-collect and ship from store – both of which were rated 5.6.

With so much complexity to deal with in stores and so many opportunities for things to go wrong, a natural question to ask is: What would happen if everything went right? Retailers told us that if strong compliance for headquarters initiatives was achieved through excellent store execution in a timely and consistent way sales would increase an average of 3.7% per store.

For a retailer with a billion dollars in store-based revenue this would amount to increasing sales by \$3.7 million. Looked at another way, it would amount to a recovery of \$3.7 million in losses that slipped through the cracks because of non-compliance with headquarters initiatives. Either way it is a significant amount of money and a prime target for a retailer to invest in that can pay for itself.

Methodology

This trending survey was conducted during the month of May and provides a snapshot on a topic that is a current concern among national and large regional retailers. Only senior executives from headquarters were invited to participate. The results do not include any store-level, field-level or regional

employees. Only responses from headquarters’ decision makers have been included.

Conclusion

Complexity and the fast-pace of change are heating up the store chaos battle retailers are forced to fight. For national or large regional retailers execution errors result in the loss of millions of dollars and damage customer satisfaction and brand image.

The proliferation of omnichannel functions, ranging from click-and-collect to in-store shipping to mobile sales-floor services, are major contributors to ongoing problems. The study identifies two of these functions, click-and-collect and ship-from-store, as big contributors to store inefficiency.

The study clearly finds that better communication with managers and store associates is essential for solving store-level compliance problems. It also finds that one of the best tools – mobile devices – is underutilized today, notably for store managers.

One of the major findings in the study is that if retailers invest in improving store-execution by focusing on the specific problem areas uncovered in the report, they can achieve a same-store sales increase of 3.7%. This represents a significant amount of money for retailers of any size and low-hanging fruit that should be seized. **RIS**

FIGURE 10

Ability of stores to respond to omnichannel and operations’ events (On a scale where 1 stands for lowest ability and 10 the highest.)

Weather-related events	6.7
Stockouts for high-demand or sale/promo items	6.5
Localized campaigns and events	6.2
Competitive pricing shifts	6.0
Late truck arrivals	5.7
Ship from store processes	5.6
Click-and-collect store processes	5.6
Pop-up stores for special events	5.3

FIGURE 11

3.7%

Increase in sales revenue per store if compliance was achieved for all headquarters directed goals.



FIGURE 12

Annual revenue

< \$100 million	47%
\$100 million to \$500 million	20%
\$500 million to \$1 billion	17%
\$1 billion to \$5 billion	7%
> \$5 billion	10%



FIGURE 13

Sales revenue over last 12 months?

Decreased	37%
Increased up to 5%	40%
Increased >5%	23%

FIGURE 14

Retail segment

