10 Steps to Optimize Retail Operations

A guide to enable, deliver and drive store value
Achieving Excellence in Retail Operations (AERO™)

**Enable store value**
Use customer and market insights to set strategic direction

**Drive store value**
Optimize capital and operating expenses through the store life cycle to reduce the total cost of ownership and improve the return on investment

**Deliver core store value**
Improve efficiency and effectiveness inside the four walls of the store while delivering a superior customer experience

**Communicate and implement change**
Drive lasting change through the store network in a consistent and practical way

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Source: A.T. Kearney
Context

For most retailers, the physical store is the primary channel for delivering value to their customers. Many spend huge amounts of money on store labor and rent, leasing or owning several billion square meters of retail space. Store operations represent the largest spending pool after the cost of goods sold, usually accounting for 5 to 25 percent of net sales depending on the format. Even small gains in store performance can have a huge impact on earnings before interest and tax (EBIT).

However, leading retailers take a broader view of store operations, looking well beyond costs. With new technologies opening the doors for more detailed in-store product information, mobile payments, and cross-channel integration, stores now have more power than ever over the customer experience. Successful stores and their employees are shaping the way brands are perceived and serve as essential differentiators in the market.

A.T. Kearney’s 10 Steps to Optimize Retail Operations gives retailers a comprehensive approach to guide their stores on the right path in today’s omni-channel world and provide an outstanding customer experience while also ensuring efficient and profitable retail operations.
10 Steps to Optimize Retail Operations

Enable store value

1. Capture the **voice of the customer**
2. Define the **channel strategy**
3. Apply holistic store **business planning**
Deliver core store value

4. Manage **merchandising and supply-chain interfaces**
5. Optimize **store operations** continually
6. Empower **field leadership**

Drive store value

7. Ensure **real estate life-cycle management**
8. Control **operating expenses**
9. Deploy **store technology** with clear benefits

Communicate and implement change

10. Drive **change management and communication**
A.T. Kearney has supported leading retailers from various geographies and sectors

<table>
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<tr>
<th>Western European grocery retailer</th>
<th>Southern European apparel retailer</th>
<th>North American electronics retailer</th>
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| For a grocery retailer, we conducted a cost reduction program including benchmarking, identification and implementation and monitoring of saving potentials; main improvement levers included:  
  — Effective and flexible staffing model – labor cost reduction  
  — Reduction of loss and leakage for perishables  
  — Implementation of a “Retail Center of Excellence” | For an apparel retailer that has changed its (omni-channel) business model we assessed the store performance with focus on new target customers requirements. Key initiatives resulting from the project were:  
  — Consistent interaction of staff with customers and suppliers  
  — Realigned display management and communication  
  — Improved shelf replenishment processes for new assortment | For a specialty retailer, we conducted an operations improvement program, implementing operations standards across 125 stores. Key improvement levers were:  
  — “Lean” principles in store backrooms  
  — Streamlining of staffing (customer service traffic)  
  — Process improvements and standardization of receiving, inventory management, etc. |

| Net margin improvement of 1.5 to 2.0 percentage points | Sales improvement of 1.5 to 2.5 percent in pilot stores | Labor cost reduction of 22 percent in operations and 15 percent in service |

Source: A.T. Kearney analysis
10 Steps to Optimize Retail Operations is part of A.T. Kearney’s insights on retail operations series. For additional information about how retailers around the globe improve their operations, see the 2013 Achieving Excellence in Retail Operations study (AERO).

With answers to more than 100 questions, AERO probes the strategy, tactics, and execution of retailers in more than 20 countries. It covers multiple sectors, including apparel, health and personal care, mass market and hypermarket, electronics, food and grocery, and cash and carry.

Study participants receive a customized benchmark report that compares their company performance to overall scores (cleansed) of all participating companies and in particular to retailers in their sector. All company-specific data remains confidential and is not shared with other study participants.

For more information please visit www.atkearney.com
A.T. Kearney is a global team of forward-thinking partners that delivers immediate impact and growing advantage for its clients. We are passionate problem solvers who excel in collaborating across borders to co-create and realize elegantly simple, practical, and sustainable results. Since 1926, we have been trusted advisors on the most mission-critical issues to the world’s leading organizations across all major industries and service sectors. A.T. Kearney has 58 offices located in major business centers across 40 countries.

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