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GUEST COMMENTARIES

Missed Execution: What Lessons Did We Learn From Holiday Retailing?

Mar. 27 2008
By Noel Goggin
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As retailers prepare for the 2008 holiday shopping season, it pays to take a look at the real factors behind poor revenue numbers this past season.

Sales last November and December rose only 3%, the slowest rate of growth since 2002, according to the National Retail Federation. Since those two months can account for 50% or more of retailers' annual profits and sales, there's been plenty of finger-pointing.

Was this the early indicator of a recession? Were parents scared by all the toy recalls? Was it the wintry weather? Will the Grinch steal Christmas again this year?

Most of these factors did play a role. Yet what we have found is that many retailers still don't fully realize the impact execution management has on their ability to squeeze more sales out of their stores.

For instance, retailers inherently know that major new merchandising tasks are not executed on time in all of their stores, or even to the same level. Yet the folks at corporate headquarters still don't have a handle on how often that execution at the store level is missed, how many lost sales occur as a result, and the impact that improved delivery and task tracking can have on increasing sales.

We've researched this execution management gap with some of the biggest retailers in the United States, and they hold great lessons for retailers.

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For instance, in a 2007 review of a new product introduction at a major U.S. retailer with more than 1,000 stores, we found a large variance when it came to completing defined tasks with defined due dates. The promotion lasted for 28 days, but during that time the actual date of task completion at stores ranged far and wide.

On the first day of the promotion, only 23% of the stores had sales. Five days after the start of the promotion, 18% of the stores still did not have sales. That figure dropped to 12% 10 days after the start of the promotion. The average date of the first sales was 3.75 days after the scheduled start of the promotion set by headquarters.

As this example demonstrates, retail chains can suffer a tremendous hit on sales and revenues if their stores fail to execute defined tasks for promotions on time. If the stores we studied executed on the target introduction date, estimated sales for the promoted item would have increased 10.23%. Even improving store execution by two days closer to the introduction date would have increased sales for the promoted item an estimated 4.15%.

Our research also shows that stores that do execute on time tend to have a higher quality of execution. For this study, we also reviewed promotion sales as percentage of total store sales cross-referenced to days late in execution. We wanted to see if there was any correlation between how closely stores executed to the targeted promotion introduction date and the quality of execution for this promotion.

For all stores that completed the execution on the due date, the promotions' average percent of daily sale was 1.09%. On the other hand, for those stores that completed the execution 10 days late, the promotions' average percent of daily sales was just 0.63%.

This is not an isolated incident. We also conducted a pilot recently for a large-box retailer over 16 weeks. Ten stores from the chain used an execution management system; 10 stores did not. The retailer selected a sample of three key processes being sent to the stores, reviewing sales of SKUs (stock-keeping units) associated with the specific processes.

The results? Clear benefits in sales for stores using execution management compared to stores that did not. On weekly price differences, the difference was 7.21% in sales. For planograms, the sales difference was 10.4%. And for weekly advertised promotions, the sales difference jumped 21%.

Most retailers we work with today realize that they have significant room for improvement when it comes to store execution. Their stated goal almost always is 100% on-time store level execution with 100% accuracy. But the reality is far from that.

In another recent study, we took a look at three companies that are considered the largest market leaders in their respective retail areas. Not one of them could achieve an on-time task completion rate more than 75%. We analyzed more than 75,000 tasks that were sent to stores over 30 days for one large specialty retailer. The on-time completion rate there was just under 50%.

The exciting part of this analysis is that daily tracking of promotions compliance provides *leading* indicators of the success of a sales promotion, and allows both store managers and regional managers to spot a problem before the Sunday circulars hit. That is far different from looking at lagging indicators like same-store uplift results after it's too late to do anything. Leading indicators give retailers a chance to take measures before execution becomes a critical problem.



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Retailers might want to take a much closer look at using execution management solutions to ensure in-store tasks are completed on time. And then maybe the next holiday shopping season won't be such a mean one for their bottom lines.

Noel Goggin is VP of execution management for RedPrairie (www.redprairie.com), which provides retail productivity solutions for 11 of the top 20 retailers in the United States. He can be reached at noel.goggin@redprairie.com.

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