

Your Customers Want a Consistent In-Store Experience

Improving store-level operations, while often not top of mind for senior executives in retailing, yields a very high return on investment—especially in the service of delivering the same customer experience at each site. An effective site operations program creates hard-to-copy differentiation and more productive employees for retailers of all sizes and formats.



Store-level operations are the forgotten cousin of retailing. Management typically focuses more on product and service offers, marketing and brand issues, and store locations and network expansion. Meanwhile, executives tend to underestimate the importance of rigorous and consistent execution of the customer experience at each store.

Delivering an experience that is satisfying to your customers and differentiated from your competition drives both repeat visits and improved store productivity. Conversely, falling short on the desired experience will leave customers open to trying the competition—a new store or an existing one with a new offer or promotion. Worse, one negative interaction will be freely shared with family, friends, and co-workers.

Improving store-level operations, therefore, often yields a high return on investment, driving sales improvements of 10% or more with minimal incremental capital deployment. Consistent execution also creates a sustainable competitive advantage through a hard-to-see, hard-to-copy differentiation, a reinforced culture of customer focus, more motivated and productive employees, and lower turnover. Such improvements can benefit retailers of all sizes, formats, and competitive positions.

Unlocking value from store operations

At any retail chain, each customer visit includes several moments of truth. Behind each of these touchpoints, there are many departments, processes, and activities that help to shape the customer experience, and they generally fall into three categories: offer design, site

and network operations, and offer support (Exhibit 1).

The offer design represents a critical component in the customers' overall experience. However, major upgrades such as new layouts, a new visual image, and brand enhancements often require hundreds of millions of dollars in investment and years to execute. Similarly, customers see the impact of various offer support programs that emanate from the head office, but even the best programs must be supported by effective and consistent on-site execution. Otherwise, the retailer makes promises and offers in its advertising and other communications that many of its stores cannot keep.

Effective site operations, by contrast, yield improvements in the customer experience that fall straight to the bottom line. Consistent execution leads to high customer loyalty, more repeat business, and greater latitude to expand the offer. Moreover, properly selected, trained, and motivated employees are more productive, consistently care for customers and the store itself, and have turnover rates that are 50% or more below industry norms. Although improvements to operations take time to execute given the many employees affected, these changes involve little or no capital outlays and help differentiate a retailer's stores from those of competitors.

Consider, for example, the role that store operations plays at several leading retailers:

- Customers are willing to pay a premium price at Starbucks in part because of the coffee chain's consistency. A caramel

Exhibit 1 Processes and activities that contribute to the desired customer experience

Offer design	Site and Network Operations	Offer support
<ul style="list-style-type: none"> • Store concept and format innovation • Branding, image, and design • Channel and brand management 	<ul style="list-style-type: none"> • Roles and personnel staffing • Customer-facing activities • Site-management activities • Dealer/franchisee/distributor relationship management • Measurement and rewards 	<ul style="list-style-type: none"> • Product or service offer pricing and management • Advertising, promotions, and CRM • Supply chain management • Network planning and real estate management • Administration and information management

macchiato tastes the same at each store, the line at any given store is rarely longer than a few minutes, and the baristas are all trained to accommodate customers' requests.

- Target is able to bring its successful image to life through helpful, knowledgeable employees who quickly assist and guide customers to the right products.
- In-and-Out Burger's parking lots and "drive-thrus" are full because employees are friendly, stores are clean and well-lit, and the fries are always piping hot.
- QuikTrip's customers flood the convenience store because they can buy their goods quickly, shelves are stocked with the right goods, and high-traffic areas are uniformly tidy.

These retailers excel in consistent site operations and understand that sustained execution requires more than just operations manuals and a full complement of staff. They rely on a linked operating system with detailed processes that can deliver a consistent customer experience across hundreds or thousands of stores. Through clearly defined customer interaction scripts, detailed daily

activities guides and employee schedules, targeted hiring, training, and development, and a motivating career path and compensation plan, their employees have the tools and authority to truly focus on the customer and deliver the right experience again and again.

Without a rigorous operating system, even retailers with creative advertising, strong offers, and attractive store designs are severely constrained (Exhibit 2).

Typically, sales and profit performance varies across a network of stores; customer count and sales may vary by a factor of three across individual stores. When senior managers try to understand what accounts for performance differences, they often study individual store location and customer traffic flow, local competitive set and density, differences in size, layout, and age of store, and local marketing and pricing. However, they neglect to reach an understanding of the value impact of an inconsistent customer experience.

Our analysis across retailers shows that variance in customer experience execution drives one-quarter to one-third of such performance differences. In contrast to the other factors, this portion of the difference is not structural and can be addressed effectively. To determine if such gaps exist in your network, start by looking at mystery shopper or other

Exhibit 2 **A linked operating system**

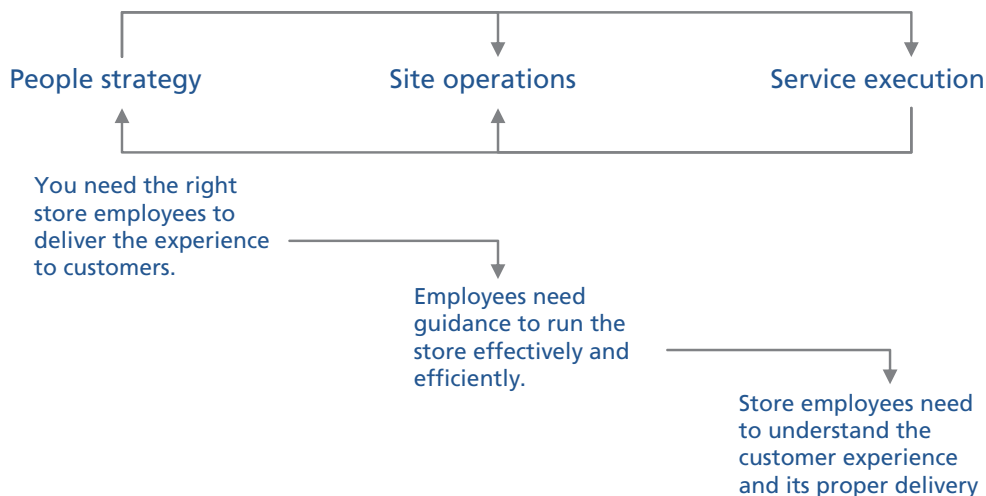
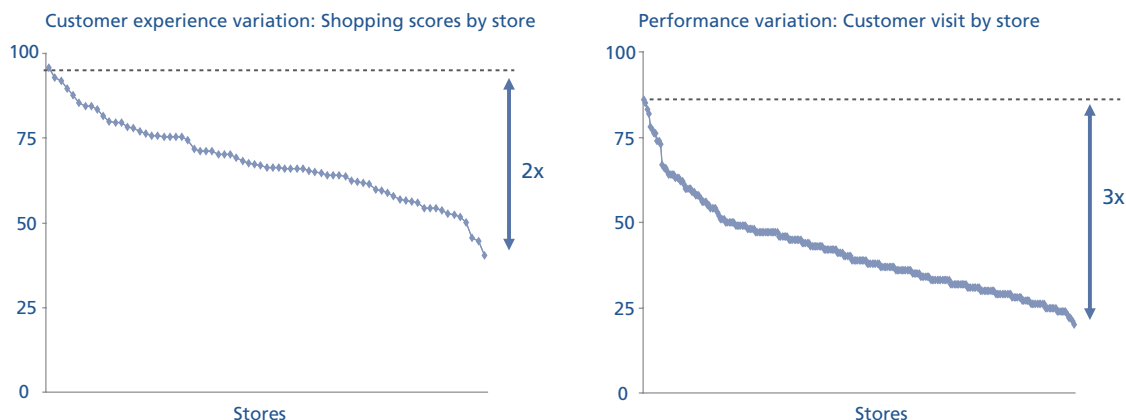


Exhibit 3 The consequences of inconsistent execution

Variation in the customer experience drives 25% to 35% of performance difference



customer satisfaction metrics. If there is a broad distribution, it will be worthwhile to investigate more deeply (Exhibit 3).

Patterns of mediocrity

Evaluating retailers across a variety of formats and offers, we have documented patterns of behavior that hinder effective execution. Among the most common are these:

- *Site operations processes and support tools are not linked by a common, customer-oriented theme.* All retailers have a set of processes and tools for their sites to use, and many have teams of employees updating how the sites should be run. But often, these procedures are developed without a unifying customer theme. For example, the different departments involved in developing the site scheduling system and mystery shopping process may not coordinate their contributions, leading to potential inconsistencies in the customer experience.
- *Over-reliance on the store manager leads to inconsistent execution from site to site.* Retailers rely heavily on managers to execute their offers, and the skill levels among this group tend to vary. When the system underlying store operations is weak or nonexistent, the competency of the manager will determine the store's ability to execute the offer. As a result, variation in the skills, outlook, and drive among managers leads to a similar variance in store execution and the experience for each customer.
- *Too much new activity distracts sites from their basic mission.* Retailers constantly test new promotions and new products, upgrade back-office systems, roll out new training tools, and so on. As a result, many store and regional managers spend a lot of time in low-value-added administrative activities or figuring out how to deal with new initiatives, instead of monitoring and improving the quality of the customer experience and coaching store employees.
- *Senior executives across functions don't have enough recent store experience.* Headquarters at many retailers is full of former store personnel. But their in-store experience may be out of date relative to how customers and offers have evolved, and they may not get into the field frequently enough. When they do, their visits may be well-choreographed tours that gloss over problems and create the wrong set of priorities. Worse, they are often reluctant to shop competitive offers and innovative new concepts. As a result, management's focus on consistent execution wanes. This issue is particularly acute within franchise-dominated retailers.

■ Questions for your next unannounced store visit

- Do you see satisfied customers consistently provided with the right mix of products and services?
- Are these products properly displayed?
- Are all your employees attentive and focused on your customers? Do they have the right attitude and knowledge?
- Is the store clean and conforming to appearance and brand standards?
- Would you see the same thing if you went to every store in your network? If you went in the evening or on the weekend or when the manager was not there?

If you answer “no” to any of these questions, your store operations are likely not delivering the desired customer experience, regardless of how well you have identified a set of target customers and designed an offer to address their priorities.

■ *The customer is not at the center of on-site execution. As some retailers build site operating systems, they may forget the most important part of the system—how employees and the site itself should interact with customers. They’re so busy hiring, scheduling, and maintaining the site that the actual interaction with customers is left up to each employee to figure out, resulting in a different experience from store to store and even employee to employee. What’s missing are interaction guides, scripts, service recovery tools, and implicit guarantees that guide employees in how to treat customers and create a consistent experience.*

where gaps exist with best practices across various retail segments (Exhibit 4). You can begin by taking the following steps:

1. Review your site-by-site performance and customer satisfaction scores. Look for a level of variation that would signal inconsistent execution. Identify the performance improvement that would be attained if the average store could close one-quarter of the gap with the top decile.
2. Identify a simple mantra that describes the desired customer experience. Speak with store employees at several sites, looking for accuracy and consistency in their answers.
3. Review your current store operating system to determine whether it comprehensively addresses the three key components of people strategies, store management, and customer interactions.

A useful framework

A program to achieve a consistent experience across stores involves hard work and the focus of senior management. The first step is to make a rigorous, critical assessment of your current operations and identify if and

Exhibit 4 **Assess your stores relative to best practices**

Factors to consider	Description
Activities performed	What steps are performed and roles assigned compared to each benchmark?
Degree of depth and rigor	How detailed or rigorous are activities and tools compared to the benchmark?
Degree of standardization	Is it designed and executed uniformly throughout? Trained rigorously?
Compliance	Is it standard practice or is it performed on an ad hoc basis?
Performance measurement	What results do the activities produce relative to the benchmark?

4. Discuss a few key operating processes with their owners to understand whether these processes actually support the desired customer experience and link to other key processes. Ensure that these answers are explicit and definitively built into the processes.
5. Conduct unannounced store visits in several markets. Watch customer interactions and experiences. Discuss with employees what drives their daily actions and efforts to serve the customer. Create an overall impression of how consistently the desired customer experience is being executed across stores.

Our experience suggests that this framework will identify what activities need to

change, how many employees will be involved, and the potential reward for the renewed focus on consistent execution. Great offer design and brand management still matter, of course, but they must be complemented by great and consistent execution at each and every store. And since the devil is truly in the details of execution, a rigorous, fact-based framework will help a retailer achieve that consistency and thereby create sustained, profitable growth. ❖

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■ What if you don't own or operate your sites?

Retailers that run a franchise, license, or dealer arrangement cannot absolve themselves of responsibility for in-store execution. After all, customers do not care who owns or operates the site. Not surprisingly, then, the most successful franchisors make sure that their franchise operating system and standards enable franchisees to execute the desired customer experience.

Leading franchisors typically follow four principles to ensure effective execution on every site:

1. Set clear standards. Standards, driven by the desired customer experience, should be integrated into manuals and training, and should include not just appearance and visual image but also other aspects of the customer experience. For example, a “fast” experience might have standards covering transaction speed, staffing levels, and response time.
2. Provide the right tools. Franchisees need a site operating system to help them recruit and train employees, define roles and customer interactions, manage the store's activities and staffing, and measure performance. These tools help each franchisee to create a sustainable business that delivers the customer experience and strong profits.
3. Coach and counsel. Franchisees also need frequent coaching by someone experienced in store operations and trained as a business counselor. Success in retail hinges on constant small improvements, and counseling helps franchisees target the right improvements and ensure effective execution.
4. Enforce and reward. The standards need to be enforced and the right behavior rewarded. Tools such as mystery shopping (if managed effectively), customer intercepts, coaching audits, surprise visits, and scorecards are critical to ensure that accurate feedback, corrective action, and rewards are given.

The most profitable franchisors do all four of these steps well. By contrast, mediocre firms either fail to execute the steps as an integrated system, or they skip whole steps, assuming that the franchisees will fend for themselves.

Oliver Wyman

Oliver Wyman is building the leading global management consultancy, combining deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm works with clients across a range of industries to deliver sustained shareholder value growth. We help managers to anticipate changes in customer priorities and the competitive environment, and then design their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities.

Oliver Wyman's Retail Practice

Our dedicated consultants have significant experience working across key retail sectors and different sized store footprints and our engagements have addressed a broad range of issues surrounding offer and network strategy, site and network operations and implementation.

Offer and Network Strategy	Site and Network Operations	Implementation
<ul style="list-style-type: none">• New offer development• Customer segmentation and targeting• Customer experience development• Channel and brand strategy• Franchise development• Market portfolio strategy and store-level investments• Loyalty program design	<ul style="list-style-type: none">• Economic and operational benchmarking• Store operations best practices• Developing and implementing day-to-day operating processes• Cost reduction and productivity improvements• Store-level technology• Store employee hiring, training, and management• Supply chain management• Detailed store economic analysis	<ul style="list-style-type: none">• New business launch• Franchisee management• Advertising and promotions engineering• Product and service pricing• Merchandising and offer development• Test and learn tools• On-site pilot tests and execution• Performance measurement programs• Customer-focused retailing culture

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