

*B*USINESS *S*TRATEGY *G*ROUP, INC.

Retail Optimization Services

Store Operations Assessment



COURTESY: STOP & SHOP

CONTACT:

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Background

Competition has never been more fierce, and the necessity for creating store efficiencies that provide increased focus on customer needs has never been greater

- ❖ Retailers operate in a highly competitive marketplace, and their ability to operate efficiently and effectively in serving their customers often means the difference between success and failure.
- ❖ Today, the strategic and tactical integration of “best practice” operating and merchandising disciplines at the store level is critical to delivering satisfied customers. This includes, as a high priority, meeting customer demand, generating a higher return on investment and excelling in retail execution.
- ❖ BSG has prepared this Store Operations Rapid Assessment (SORA) proposal to allow its clients to rapidly identify strengths, weaknesses, gaps and opportunities for improvement in their store operations. A team of BSG seasoned store executives perform the review and develop practical, proven recommendations.

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Key Questions

What are your major strengths and weaknesses?

- ❖ How does my store performance compare to my peers?
- ❖ Do my stores meet my customers' expectations? Are we satisfying our customer demand?
- ❖ Do my associates have access to the accurate information they need in a timely manner to operate more effectively and efficiently and serve our customers better?
- ❖ Are we prioritizing store administrative and operational tasks for better productivity and customer service?
- ❖ Are there gaps in our performance?
- ❖ Are our perceived strengths accurate?
- ❖ Are we following "best practice" store operational processes?
- ❖ Are we executing effectively and efficiently in our stores?
- ❖ Do we have the proper metrics in place to insure that we can continually benchmark and improve our store performance?
- ❖ Are our store operations and merchandising plans properly aligned?

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The Size of the Prize

Our Track Record

- ❖ **Northeast Retailer:** This regional retailer had a growing out-of-stock problem, especially in promotional items. A survey of their stores was conducted and inventory optimization recommendations were made that resulted in a 60% improvement in this retailer's in-stock position and more than a 10% increase in its sales and gross margin.
- ❖ **Large Global Retailer:** Conducted test of store-specific assortment, using a single category. Tested results by executing recommendations in test stores versus control stores, without change. Results showed 32.5% increase in sales on an 11% improvement in turn.
- ❖ **North American Mass Merchandiser:** Developed Dealer Retail Strategy for this retailer, including recommended business initiatives that would generate a 10%-15% increase in sales, 1-3 additional inventory turns, 2%-5% increase in Dealer gross margin, and a 10%-15% decrease in store inventory investment.
- ❖ **International Retailer:** Conducted analysis of this retailer's in-store markdown procedures. Designed in-store process improvements, resulting in a 25% savings in markdown labor costs, as well as an \$8,500 per store savings in eliminating the need for additional technology.

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Store Operations Analysis

Processes examined and effectiveness assessed

<i>Store Mgmt</i>	<i>Merchandising Mgmt</i>	<i>Inventory Mgmt</i>	<i>Store Replenishment</i>	<i>Customer Service</i>
<ul style="list-style-type: none">- Workforce Mgmt- Labor Scheduling- Time & Attendance- Payroll Processing- Training- Staff Retention- Staff Recruitment- Sales Audit- Loss Prevention	<ul style="list-style-type: none">- Retail Execution of Merchandise Plan- Alignment of Performance Measures- Feedback Mechanisms- Planogram Compliance- Price Changes- Promotional Mgmt- Store Signage- New Product Mgmt- Markdown Mgmt	<ul style="list-style-type: none">- DSD Mgmt- Discontinued Products- Intra/Inter Store Transfers- Damage Reclaim- Perishables Handling- Sales Tracking	<ul style="list-style-type: none">- Store Forecasting- Store Order/Systems Procedures- Computer Assisted Ordering (CAO)- Computer Generated Ordering (Automatic Replenishment)- Shelf Mgmt- OOS Mgmt	<ul style="list-style-type: none">- Front End Service Operations- Customer Kiosks- Service Dept Operations- Customer Loyalty Programs- Payment Processes- Customer Privacy

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Scope & Objectives

Our industry experts identify opportunities for improvement ... which can be delivered quickly

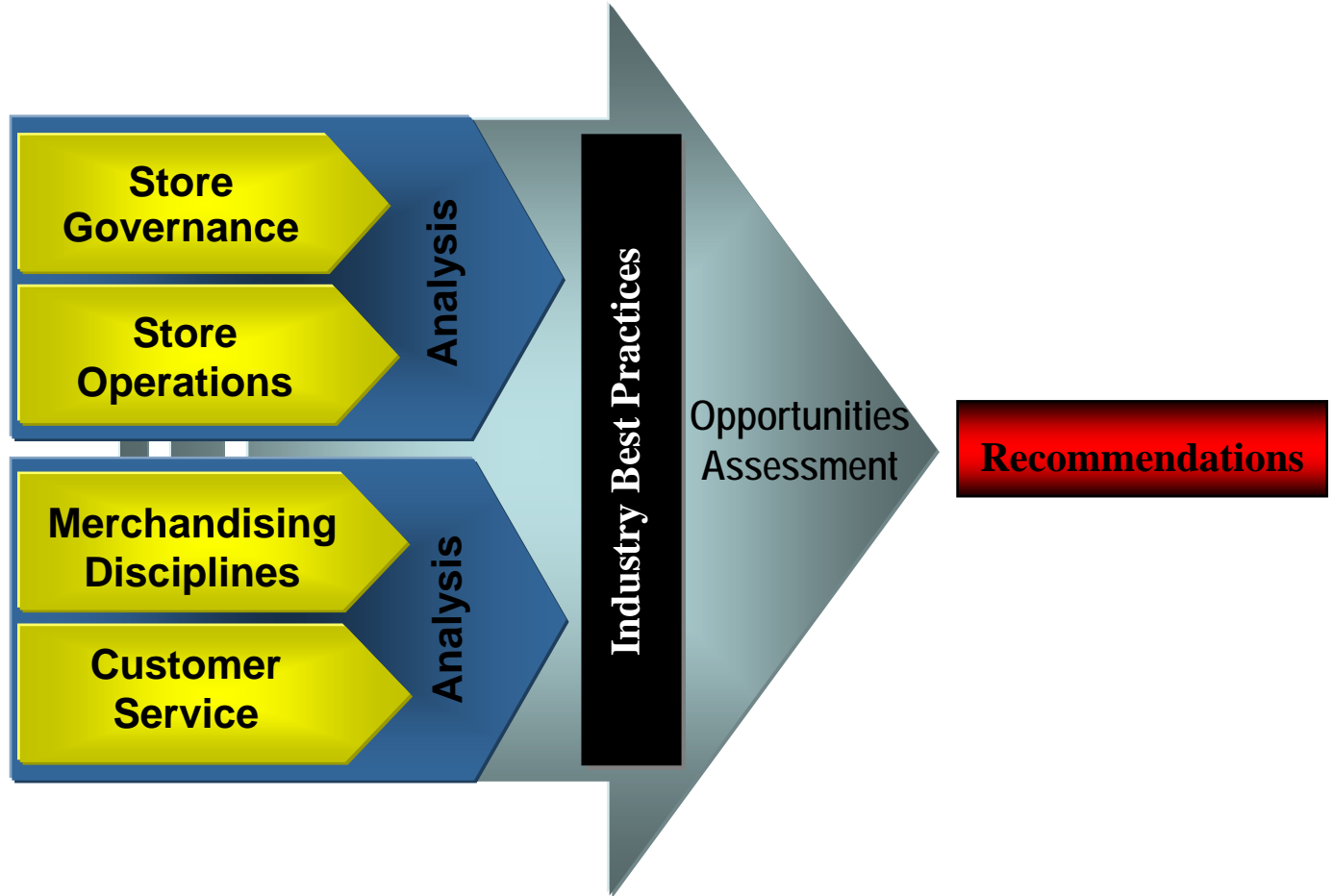
- ❖ The SORA process is designed to use the expertise of our store specialists to rapidly identify store operation improvement opportunities for our retail and wholesale clients.
- ❖ Specific areas for consideration will include store governance, strengths, weaknesses, gaps and opportunities for “quick wins.”
- ❖ A detailed report of findings and recommendations will be delivered, outlining suggested improvement initiatives. This report is then presented to the senior management for confirmation and buy-in.

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Approach & Deliverables

We quickly assess the situation, define the opportunities and make our recommendations



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leads to quicker
benefits*



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Resources & Costs

Low cost, high value

- ❖ BSG will deploy 2-4 industry store operations experts on site to perform the assessment. Required resources, timeframes and final fees will be determined in conjunction with the client, based on the agreed upon scope, depth and breadth of the assessment (i.e. number of store visits needed, store locations, etc.).
- ❖ We will require time input from store operational managers, but this should not be onerous. We will also require a limited amount of interview time with your corporate executives. We will prepare a pre-visit survey which helps to shortcut the discovery and evaluation timeframe.
- ❖ A report will be prepared off site and delivered to you within two weeks of the completion of the on site activity. This will highlight the quick wins, prioritize medium term opportunities & recommend longer term investments in efficiency. The time spent preparing this report is part of our client investment.
- ❖ Expenses for transportation, accommodation and meals will be billed net. Every effort is made on our part to keep such expenses to a minimum by utilizing client arrangements.

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Representative Resource Profiles

Ken Fobes

Ken is an internationally recognized retail consultant, with more than 25 years of extensive experience in retail technology, business growth strategies, end-to-end supply chain improvements, customer specific marketing and retail optimization. His clients have included J Sainsbury, Somerfield and Homebase in the UK; Coles-Myer in Australia; and Kroger, Vons-Safeway, Delhaize-America, Canadian Tire, AmeriKing, H.E. Butt, SUPERVALU, Schnucks, Exxon Worldwide, and Nike in North America.

Trefor Hales

Trefor has more than 35 years of “hands-on” retail operations experience with the main retail operating subsidiary of J Sainsbury PLC. Before retiring from J Sainsbury in 2001, he held group responsibility for retail operations and innovation. He began his career as a store employee, rising through the ranks to hold senior management positions at the store, district and regional level. His clients have included Pick ‘n Pay (South Africa), Canadian Tire Corporation (Canada), Esselunga (Portugal) and The Co-Op, Homebase and Sommerfield (UK).

Ed Oertli

Ed has over 25 years of store operations and systems experience with H.E. Butt, the largest, privately held supermarket retailer in the United States, serving in a number of store related management positions, including being a store, district and regional manager and chain-wide Director of Store Systems. His clients have included Canadian Tire Corporation, Food Lion, SUPERVALU, Show Carnival and Tandy Corporation.

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Our Value Proposition

Retail Experience

- ❖ Our depth of experience enables us to identify opportunities and provide practical solutions and benefits quickly
- ❖ Everyone on our team is a senior executive with hands on store experience

Knowledge

- ❖ We use our broad knowledge base of industry best practice to achieve superior performance
- ❖ This strength enables us to determine what will work and why.

Collaboration and Teamwork

- ❖ We work closely with the client's executive and operational management to transfer knowledge
- ❖ We communicate clearly and candidly during the on-site assessment

Approach

- ❖ We use clear, precise and logical steps throughout all of the phases of the project
- ❖ We highlight the quick wins, prioritize medium term opportunities & recommend longer term investments in efficiency

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*We take great
pride in the
companies we
serve*

Representative Clients

Grocery

- Brookshire Grocery Co.
- J Sainsbury (UK)
- Hannaford Bros.
- The Co-Op (UK)
- The Kroger Co.
- Save Mart Supermarkets
- Weis Markets
- Price Chopper
- Save-A-Lot
- Schnuck Markets Inc.
- Somerfield (UK)
- Coles Myer (AUS)
- Nexcom
- AAFES
- Ric's Food Centers

Convenience

- Petro Canada
- Circle K

Drug

- CVS
- Thrifty/Payless

Mass Merchandise/ Specialty

- Wal-Mart
- Meier
- Advanced Auto
- Canadian Tire Corporation (CAN)
- CTDA (CAN)
- The Limited
- HomeBase (UK)
- Zales
- Michaels
- LCBO (CAN)
- Sears (CAN)
- Cabela Outfitters

Wholesale/3PL

- Arthur Wells Group
- Unified Western Grocers
- Southeastern Frozen Foods
- Tibbett & Britten (Excel)

CPG Manufacturers

- Dole Foods
- Nike Worldwide
- Sara Lee