



## Retail Case Study

### Business Problem:

\$3.2B Fortune 500 Retailer With Over 1K Stores Needed to Improve Profitability Through Lean Transformation.

VERTICAL:  Retail

NLP SERVICES:  Lean Transformation

### THE CLIENT

With over 1,000 stores, 6 distribution centers and over 16,000 employees, this retailer was facing;

- High customer returns and processing costs
- Long call center wait times and high call abandons
- Long order processing lead times
- High inventory and low turns
- High store labor costs per store

### THE ENGAGEMENT

*Improve profitability of business by reducing labor costs (increasing productivity) and improving inventory management processes in stores and distribution centers.*

### THE APPROACH

1. 2-site pilot followed by 10 additional site launch deployment plans
2. By site: 1-week needs assessment visit & rollout plan development
  - Educate site leadership and their commitment to stretch goals
  - Quantified, prioritized roadmap-tracker
  - Capability building plan
3. Kaizen cadence with governance to track execution and results
4. Daily management process (metrics, review cadence, problem solving structure) to drive sustainability and day to day improvement in performance
5. Used boot-camps to support hub & spoke execution strategy



## **THE RESULTS** *(first 12 months)*

- \$165K investment
- \$1.1M in labor savings at distribution centers
- \$620K reduction in freight costs
- \$2.2M in reduced inventory
- Optimization of process prevented cost and investment in a 7th distribution center

## **KAIZEN WORKSHOP RESULTS**

- Reduced the costs of return-to-vendor merchandise by over \$1M
- Reduced the costs of processing in-store customer returns by \$610K
- Reduced Call Center wait times by 27% & dropped calls by 22%
- Reduced the time to load a Distribution Center truck by 22%
- Reduced the lead time to build & open a new store by 35 days
- Reduced the time to receive and stock incoming store merchandise by 2 hours (\$3.7M savings chain-wide)
- Improved DC order processing productivity by 36%
- Reduced the labor required to open and close a store each day by 31% (\$528K savings chain-wide)
- Improved order processing lead time from 8 days to 1 day
- Reduced inventory from 2,700K to 300K
- Reduced per-order labor cost from \$3.35 to \$1.87
- Reduced order-picking cycle times by 32% (\$203K savings)

## **RETAIL TRANSFORMATION AREAS**

New Store Opening	Receiving	Store Closing
Catalog Design	Put Away/Let Down	Store Opening
Catalog Production & Distribution	Picking & Order Fulfillment	Freight Receiving and Put Away
Circular Production & Distribution	Loading	Shrink Reduction
Product Development	Return to Vendor	Customer Returns
Customer Care Center	Bulk Processing	Stock Out Reduction
Order Processing	Order Processing	Category Optimization (layout & presentation)
Accounts Payable	WMS Process Design	
Financial Forecasting	Landed Cost Optimization	
Financial Closing	Layout Optimization	
Vendor Management	SKU Rationalization and Reduction	
Third Party Contracting	Back room layout and efficiency	