

# Continuous Improvement in Retail

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**UNIVERSITY OF NEW ZEALAND**

# Personal Background

## Retail



TESCO



Iceland.co.uk



WAL\*MART®



WS warehouse stationery

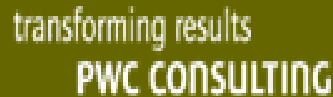


the warehouse //  
*where everyone gets a bargain*

## 3<sup>rd</sup> Party Logistics



## Consulting



transforming results  
PWC CONSULTING

## Academic



Cranfield  
UNIVERSITY  
School of Management

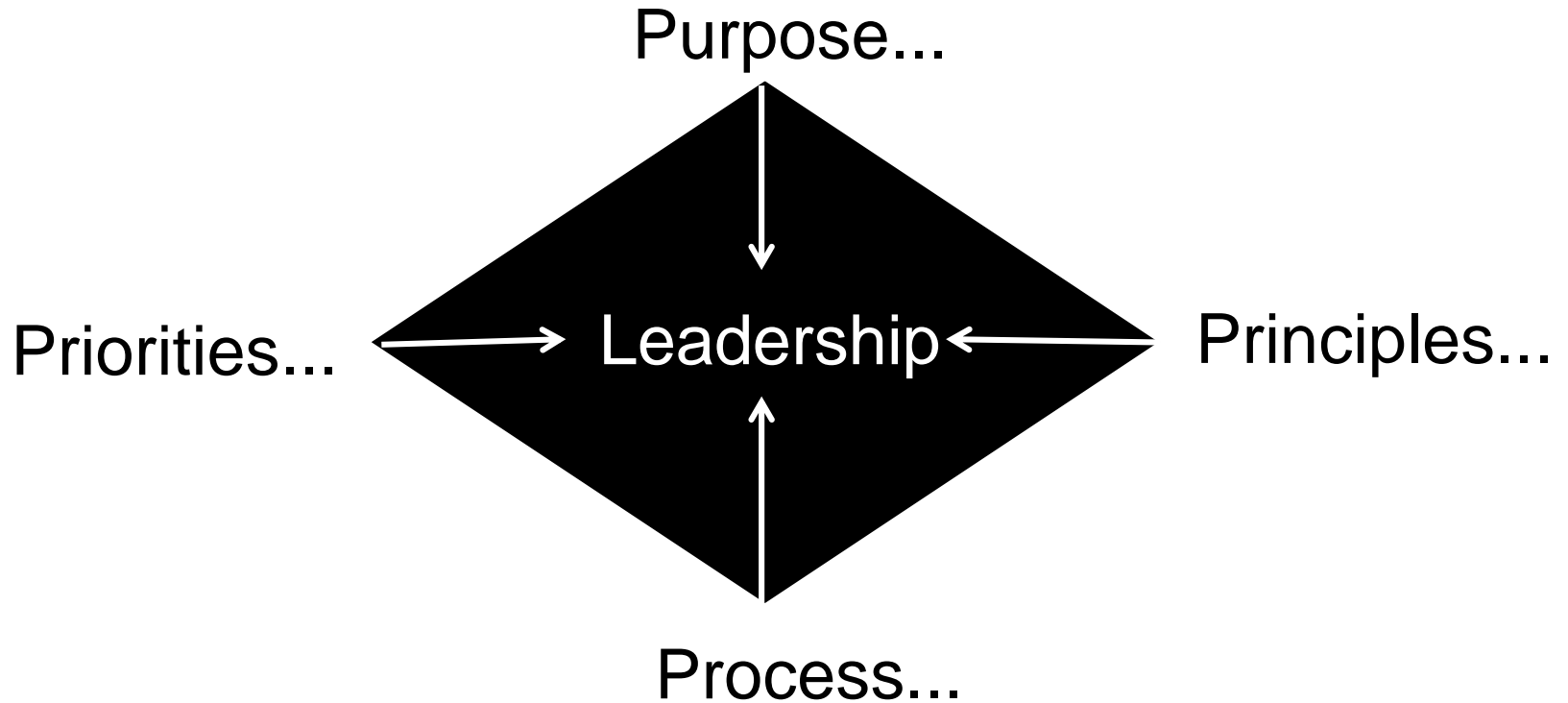


CARDIFF  
BUSINESS  
SCHOOL

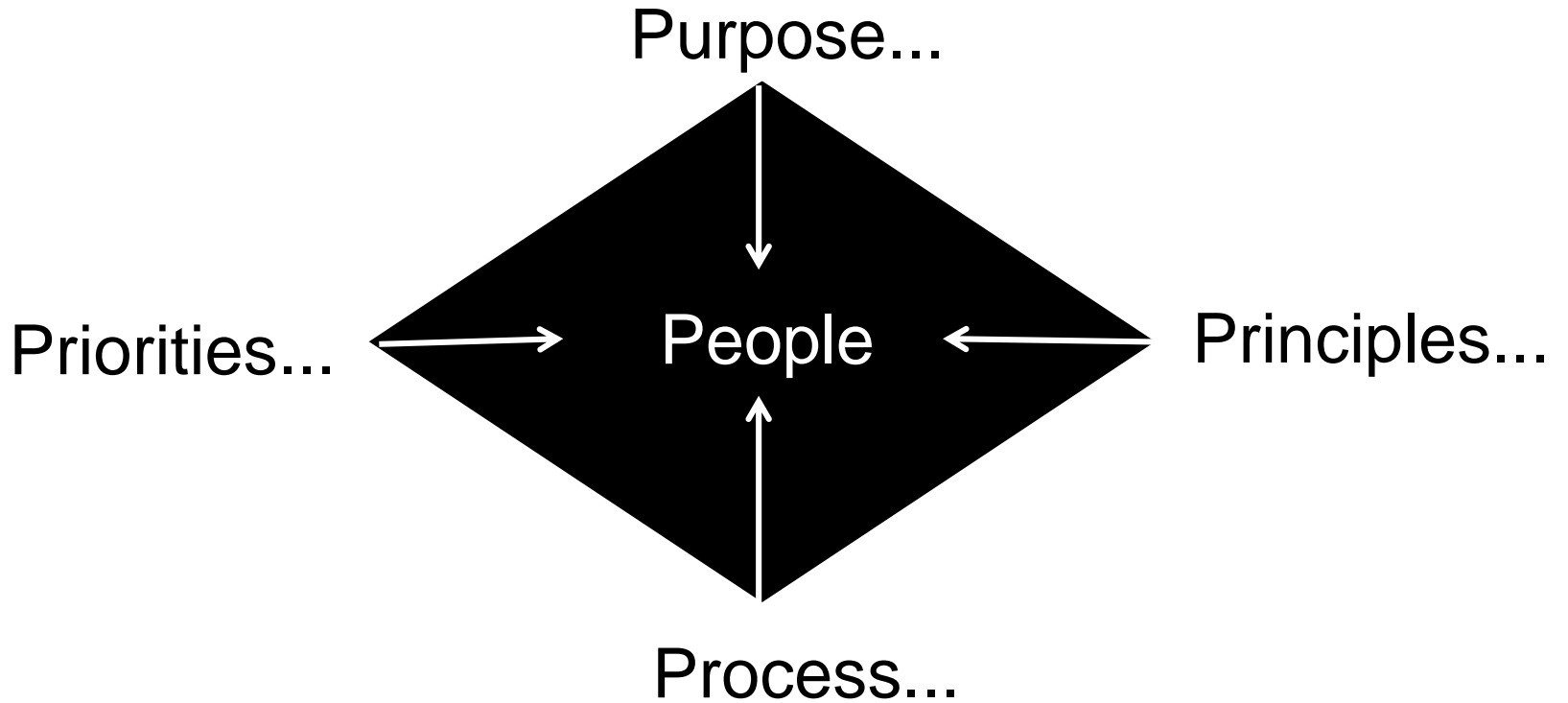


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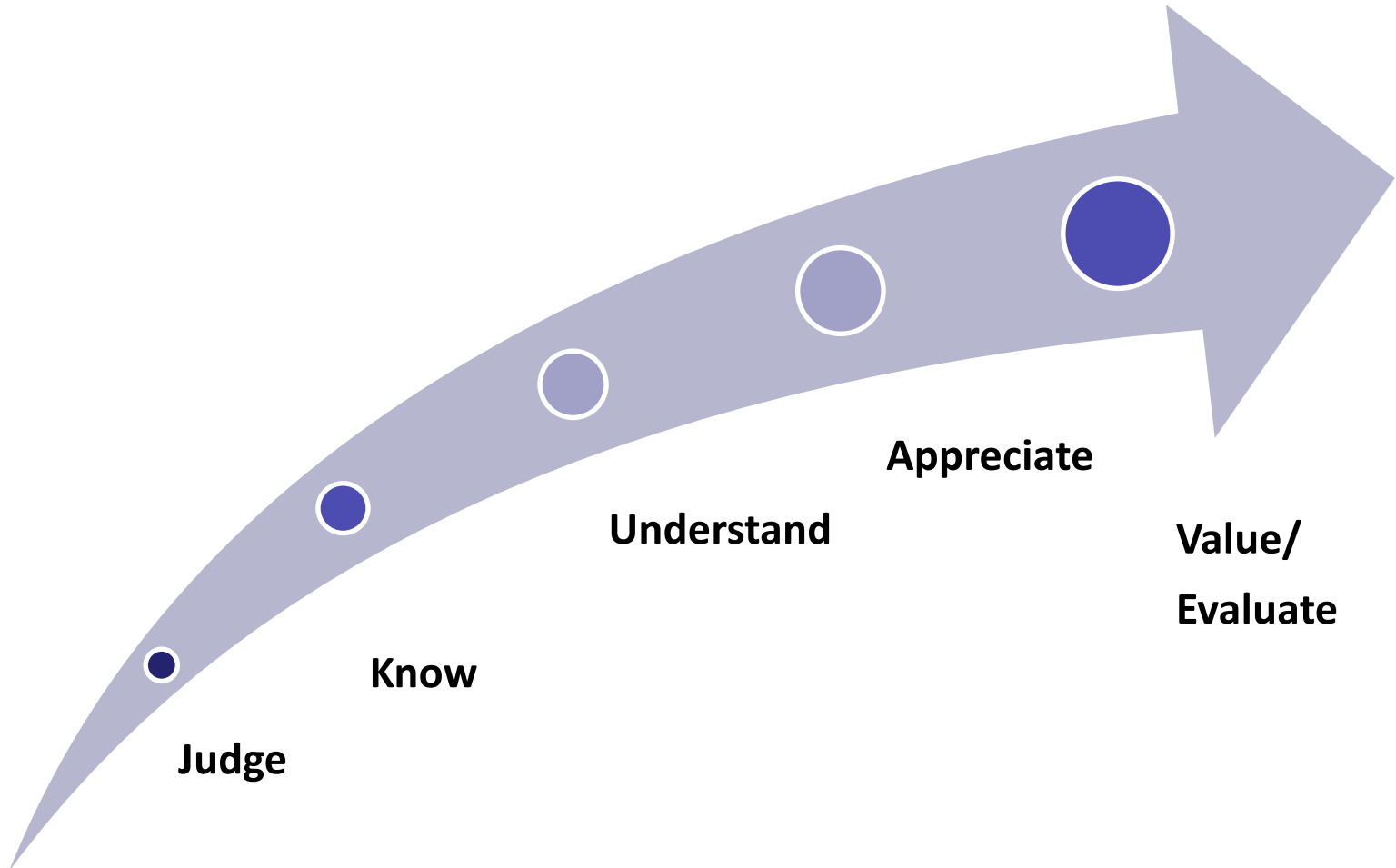
# The Functions of Leadership



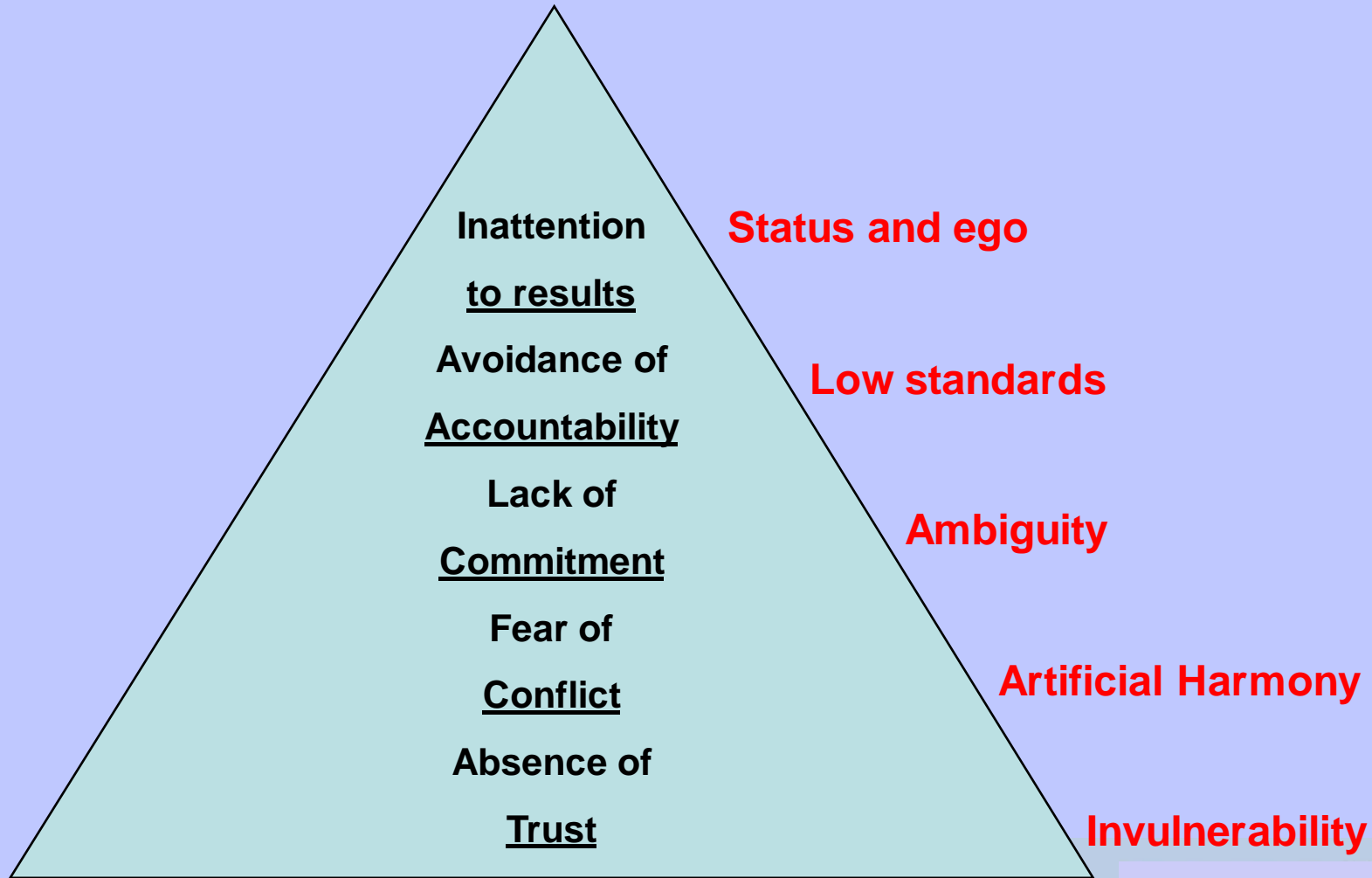
# Continuous Improvement Culture



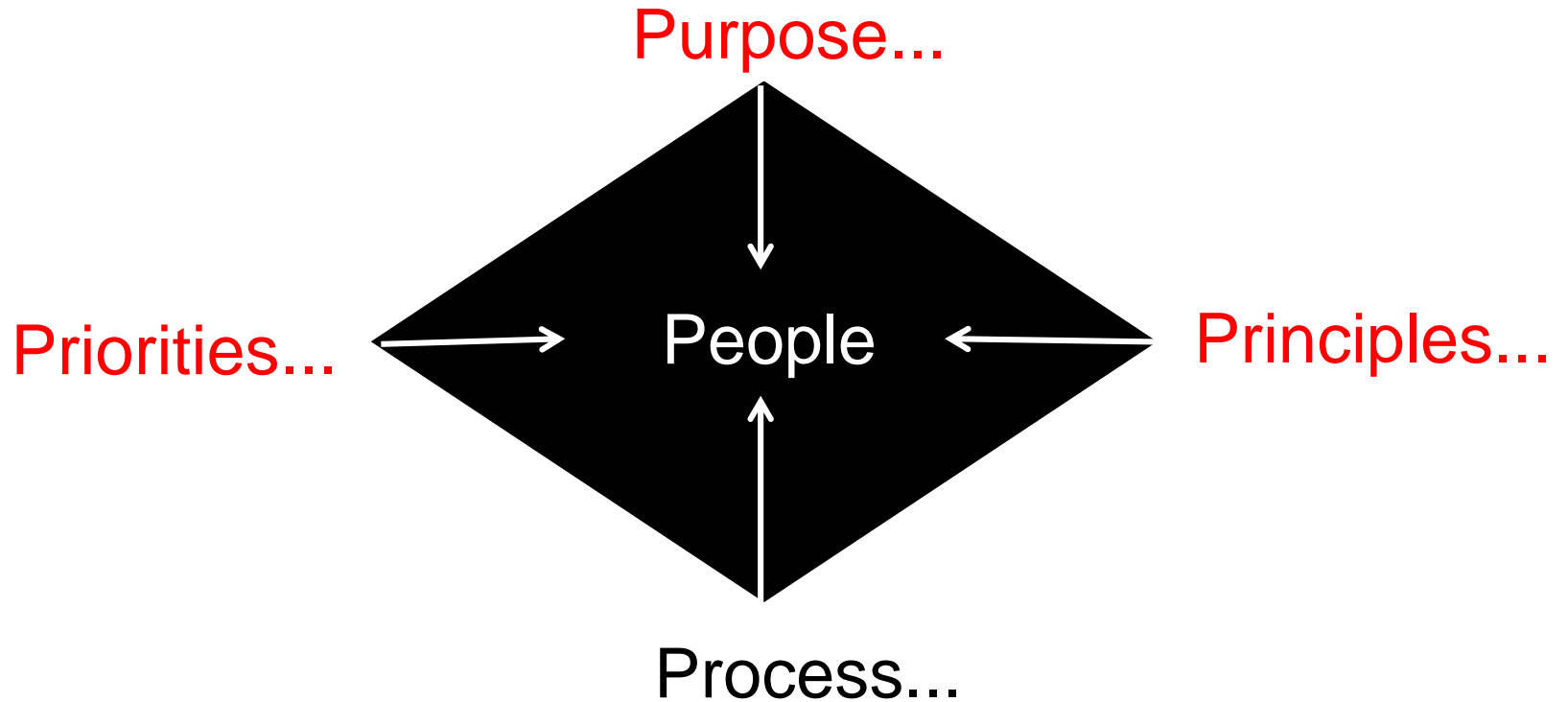
# People: Diversity & Robust Debate



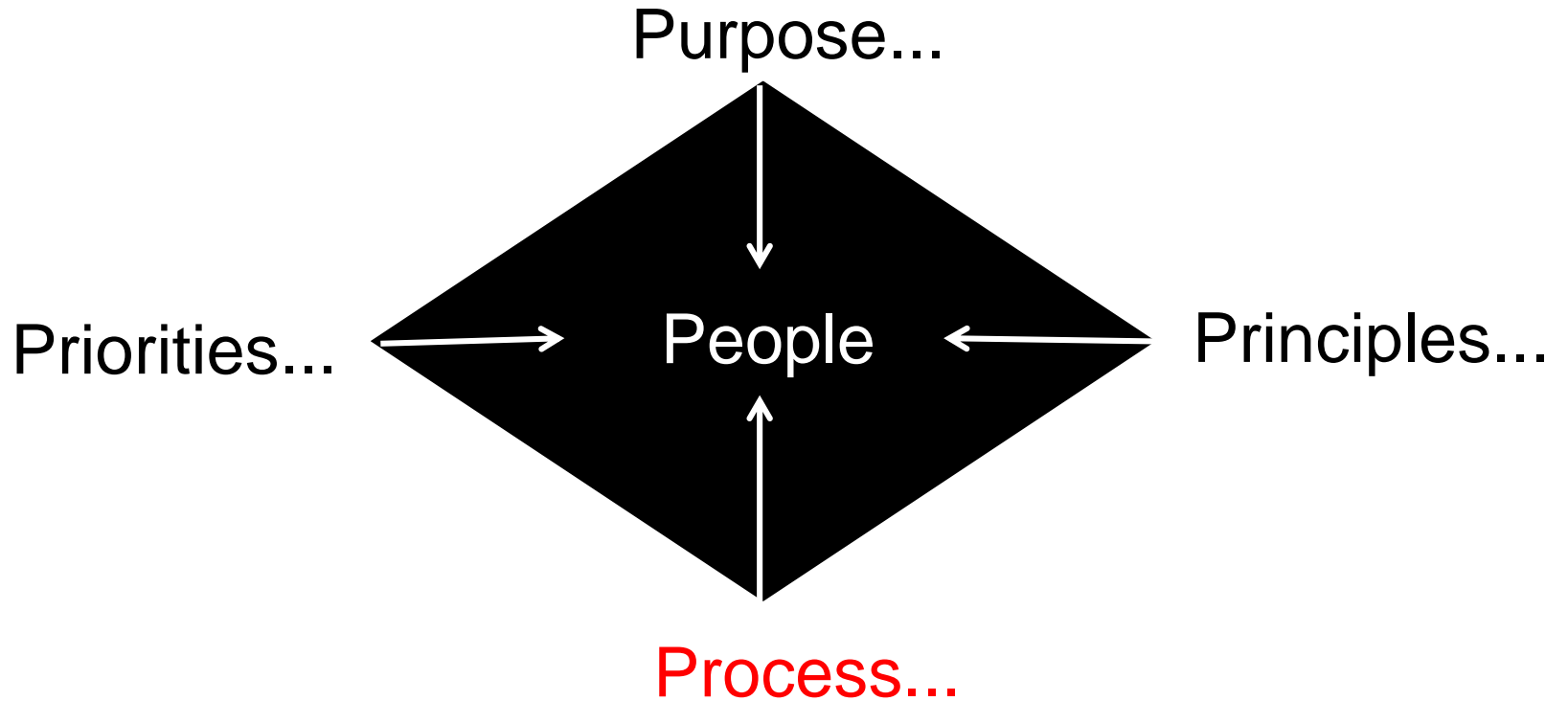
# 5 Dysfunctions of a Team: Patrick Lencioni



# Continuous Improvement Culture

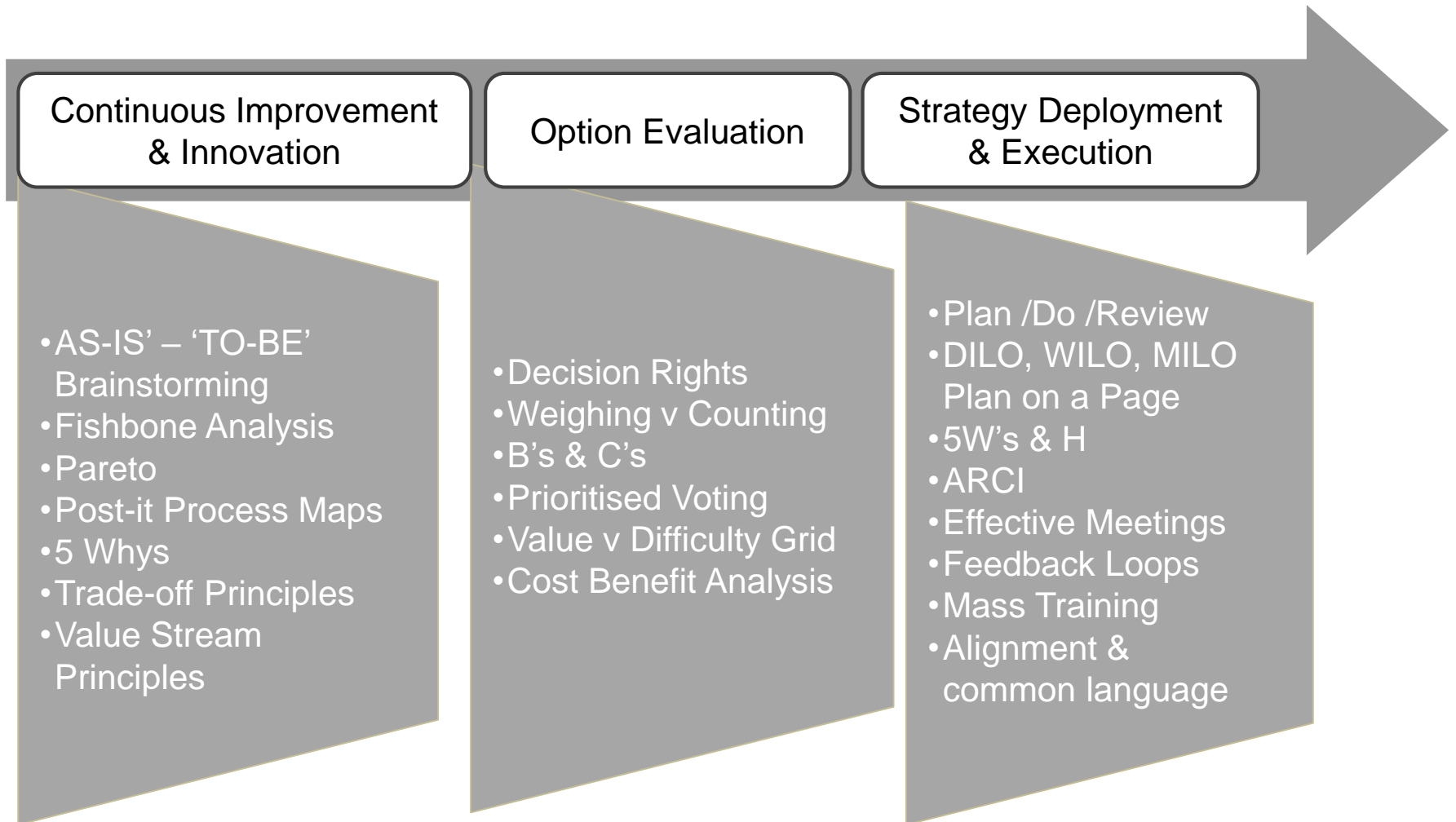


# Continuous Improvement Culture





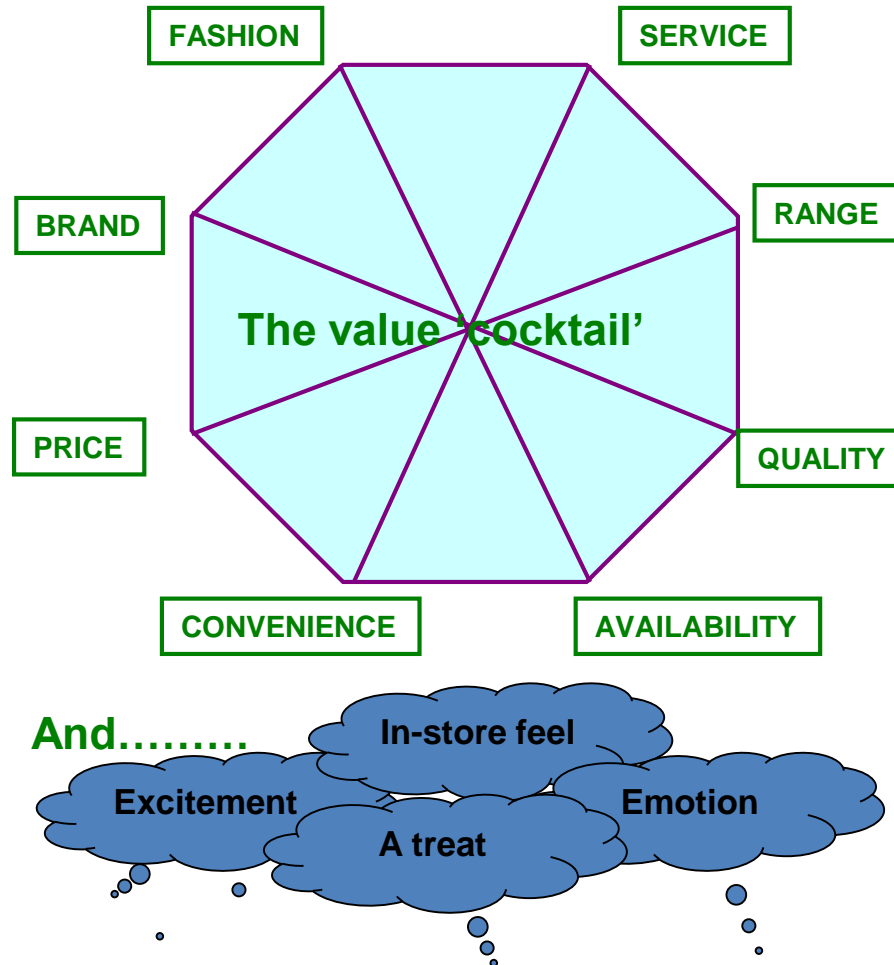
# Process – Continuous Improvement and Innovation Tools & Techniques



# Process: Value Stream Principles

1. Specify value as defined by the customer
2. Assign products to the appropriate value stream
3. Identify the value adding and non-value adding 'waste'
4. Try to make value flow at the pull of customer demand as much as possible
5. Optimise the total value stream
6. Execution: Continuously review and improve, striving for excellence

# Principle 1 : Specify value as defined by the customer



# Principle 2 : Assign products to value stream

## Staple/continuity Demand Product : Year round – ‘pull’

Sales based automated ‘pull’ replenishment  
Availability, efficiency, stock and supplier management  
Open ended ‘call-off’ supply commitments

REPLENISHMENT/AVAILABILITY FOCUS

## Event/opportunity Product : short window – ‘push’

Push ‘intelligent’ allocation  
Flow through DC and direct FIS  
Event critical path management - Trading calendar driven,  
One off supply commitment

CRITICAL PATH FOCUS

## Seasonal/fashion : short product life cycle – ‘push then pull’

Seasonal merchandise planning & critical path – Trading calendar driven  
Entry, in-season availability & exit markdown management  
Initial ‘presentation’ push then ‘pull’ replenishment  
Seasonal commitment but ideally agility to quickly increase/decrease

CRITICAL PATH, IN-SEASON  
REPLENISHMENT & EXIT FOCUS

Customer  
Value  
Needs

Grocery

Apparel

Shoes

Soft  
goods

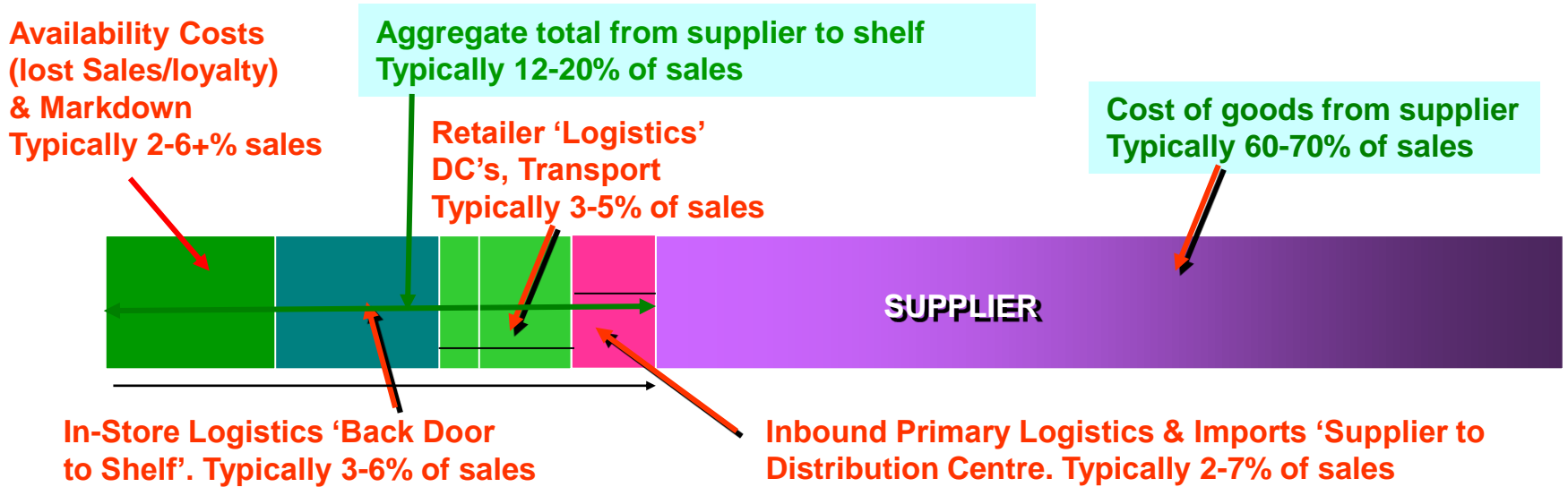
Hard  
goods

# Principle 3 : Identify value adding and non-value adding waste

## The Ten Retail Value Stream 'Waste's' :-

1. **Lost sales & customers** (eg through non-availability of product)
2. **Excessive 'push' stocks** (eg due to excessive 'push' allocation, leading to markdowns, clearances, stock redeployment and stock damage)
3. **Excessive 'pull' stocks** (eg due to excessive lead-time, order frequencies, unit & load sizes, or 'bulk' price based minimum order quantities)
4. **Delay & waiting** (eg Slow responsiveness & product flow, either physically or due to slow information processing & decision making)
5. **Unnecessary transportation** (eg poor utilisation of space and time, inter-DC & inter-store transfers)
6. **Excessive movement & handling** (eg due to poor layouts, processes and workplace design)
7. **Unnecessary processes or layers** (eg non-value adding processes or intermediates, Internally focused processes for excessive bureaucracy & control)
8. **Defects, errors and poor process reliability** (eg poor DIFOT leading to rework costs and poor availability)
9. **Rigidity, the lack of flexibility & responsiveness** (eg inappropriate automation, excessive rigid long term arrangements of assets, processes & people)
10. **Unnecessary complexity** (eg keep it simple)

# Principle 4 & 5: Make Value Flow & Optimising the Whole Value Stream – The System Variables



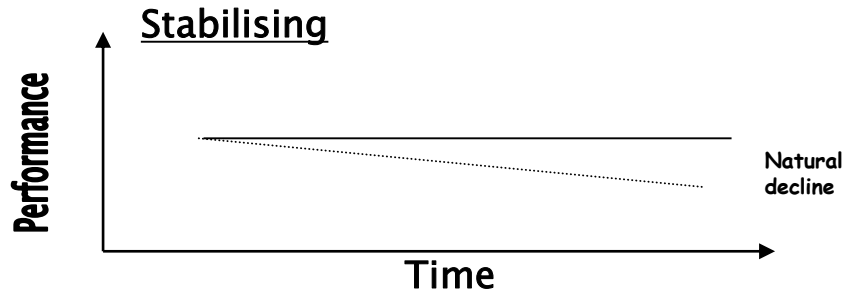
## VARIABLES

- ← **TIME** (lead times, order sizes and order cycle/frequencies, flexibility, responsiveness, speed to market) →
- ← **STOCK** (How much and where : store presentation, store back-up, DC, supplier ) →
- ← **PHYSICAL ASSET STRUCTURE** (DC's, Store reserves/backup/tops/off-sites, Store shelf/display,) →
- ← **TRANSPORT** (Utilisation of time & space, consolidation) →
- ← **UNIT LOADS & ORDER MULTIPLES** (Containers, pallets, merchadisable units, cases, singles, hanging, packaging) →
- ← **ORGANISATION** (Structure, defined responsibilities, RASCI , 'muscle' and 'brain', culture, core skills) →
- ← **PERFORMANCE** (KPI's, balanced scorecard, routines, SOP's) →
- ← **PROCESS & SYSTEMS DESIGN** (ERP, Best of Breed, Process re-engineering, Non-value added 'waste' reduction ) →
- ← **OPTIMISATION** (Trade-offs : Operating costs, fixed assets, working capital, availability/sales/customer loyalty) →

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# Process: Continuous Improvement



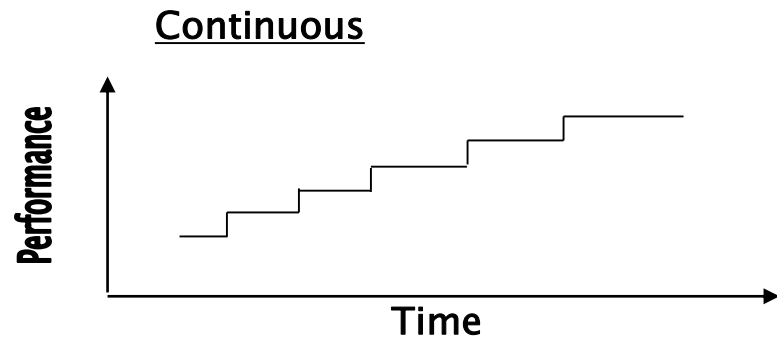
Clear understanding of current capability

Standardising best practice

Planned maintenance/health checks

Gaining control

Measure, Understand



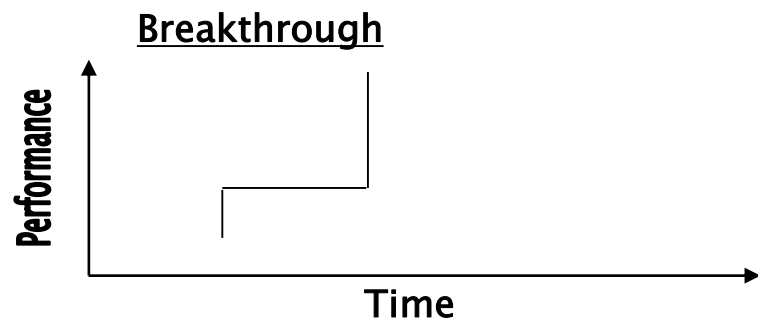
Many small improvements

Continuous process

Involves people doing the job

Allows everyone to contribute to improvement

Measure, Understand, Improve



Challenges the current way of doing things

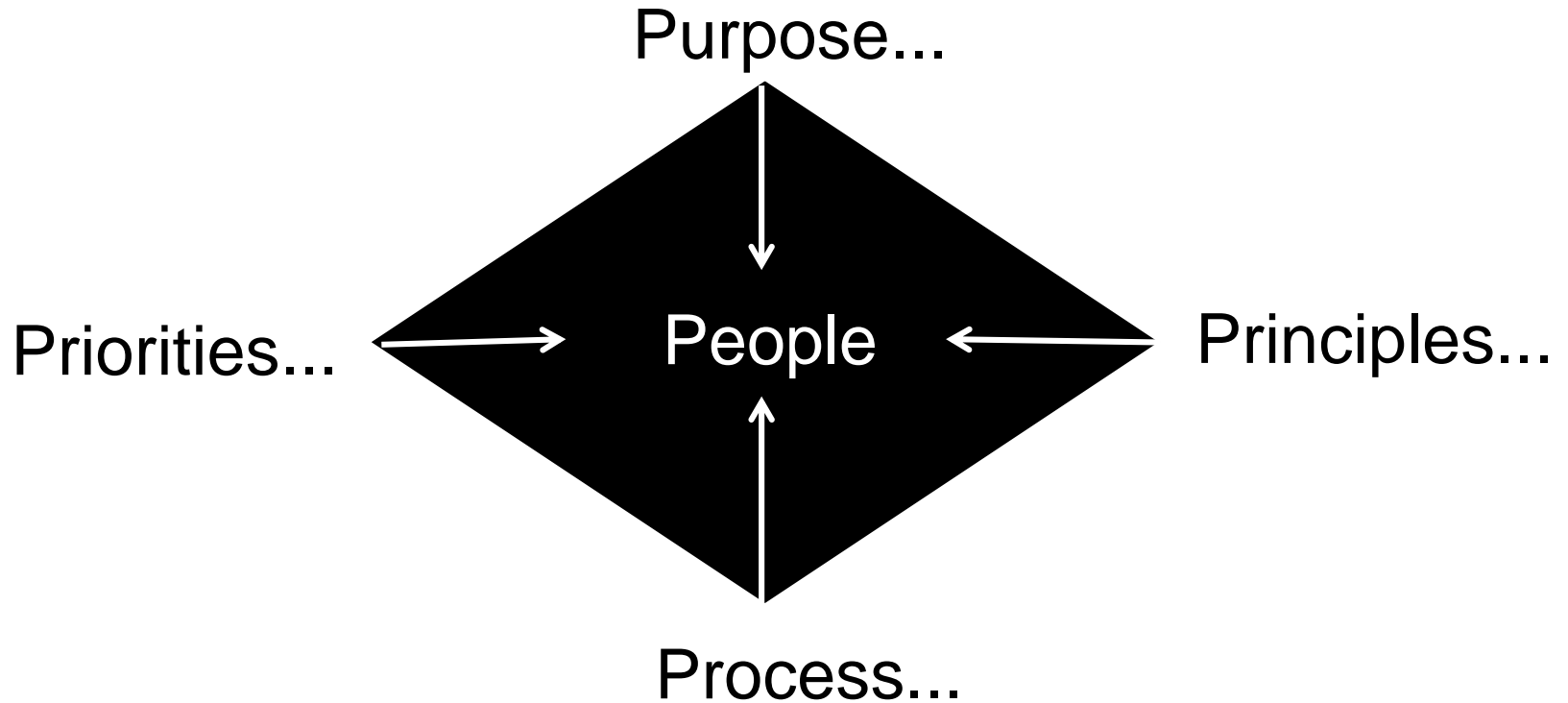
Involves risk and takes courage

Usually requires investment and specialist support

Step Change



# The Functions of Leadership – Continuous Improvement Culture



# Leadership Paradox: Both/And

- Teacher and Learner
- Team and Individual
- Conflict and Harmony
- Patient and Impatient
- Freedom and Boundaries
- Tolerant and Intolerant
- Fearful and Courageous
- Serious and Fun
- Directive and Participative
- Speaking and Listening
- Challenging and Understanding
- Confident and Humble
- Direct and Empathetic
- Leader and Servant
- Truth and Love



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