

“Mission Breakthrough”: Apparel Retailer Returns Five Times Investment in Two Years

An SBTI White Paper

Bob’s Stores sells men, women and children’s discounted name-brand clothing, including casual and activewear, and footwear. The company operates about 35 locations, averaging 45,000 sq. ft., in six northeastern states that target moderate to upper-middle incomes. Bob’s Stores was established in 1954 by Bob Lapidus and acquired out of bankruptcy by off-price retail giant TJX Companies in late 2003. TJX sold Bob’s Stores to the private equity firms Versa Capital Management and Crystal Capital in August 2008.

Building the Guiding Coalition

In early 2006, Bob’s Stores management began investigating Six Sigma as a tool for improving processes. After thorough investigation of the methods and provider, Bob’s Stores began their Six Sigma deployment, in partnership with SBTI, late 2006. Leveraging earlier experience in Lean and reasoning that Six Sigma methods would support and enhance the organizations skills and problem solving arsenal, the store’s operations team was a key advocate and catalyst to create leadership alignment. Other tactical steps taken during the “Gaining Senior Management Buy-in” phase included: interviewing Six Sigma consulting firms, presenting (internally) a white paper on Six Sigma and its benefits, holding an executive offsite to confirm strategic objectives and the need for Six Sigma, and the President championing the deployment by introducing the effort to the entire organization.

Business Situation

At the start of the deployment, clear challenges were directly in front of the Bob's Stores leadership team. In 2006, they ended the year just short of the goal of reducing operating losses by half. For 2007, the focus of the team was on improving performance, with no new store openings until the business produced sufficient comparable store sales increases. Bob's Stores was looking to make tremendous improvements in its supply chain, inventory turns, vendor compliance, floor buying processes and pricing management.

Leadership Training, Projects, and People Selection

To get executive-level alignment, Bob's Stores conducted a one-day Executive Workshop one week after the President's announcement. Following this event, department heads participated in a three-day Champion Workshop. CASE STUDY Industry: Retail Client: Bob's Stores Event: Six Sigma CASE STUDY Timing was far from perfect, as these events landed in November and December, the height of the retail annual business cycle. However, it was clearly understood that it was equally important to plan for the future as it was to manage the day-to-day operations. Company initiatives and operational measures were clarified, with projects proposed, discussed and selected. The list of project leaders were reviewed and finalized with plans for internal communication. HR and Finance workshops were scheduled and conducted. Projects would start in less than 30 days after the Champion Workshop.

Project selection followed key steps, as outlined in an internal presentation:

1. Develop Vision Statement
2. Define/Reconfirm Business Critical Y's for next period (Quarter, Season, Year)
3. Project Cluster/Idea Solicitation
4. Define Ranking Criteria for Project Selection
5. Strategy Review Meeting
6. Final Project Selection Decisions/Resource Assignment

Wave 1 Projects were carefully aligned with business strategy. Projects to improve the seasonal floorset and fill process for denim basics drove in-store improvements aimed at increasing year-over-year same store comparison sales revenue. Examination of the purchase order creation process, the assortment planning and ladder planning process reduced the costs of goods.

Additionally projects aligned with inventory flow and control included improvements in the versioning, in-stock denim basic replenishment, permanent markdown execution and in-store POS rotation processes. For every project selected and chartered, three to four other projects were identified and shared as "future projects" ready for teams and project leaders.

Commitment of Resources

On the resource side, Bob's Stores dedicated one percent of their overall employee population to the effort, with five to seven and a half percent leading projects as Green Belts. The key limitation was the

ability to fully support the teams with active team members. Nearly everyone in Bob's Stores HQ was on a team so the number of active projects had to be managed. A three-day-per-week training schedule was employed for the Green Belts, with one-day-per-month for three months for the rest of the employees.

Coaching, mentoring and feedback to project leaders was regularly scheduled and required for all active projects. Champions routinely attended coaching sessions. Though results took time, Bob's Stores' teams never wavered in their commitment. By the Q3 and Q4 of 2007 it was clear that "Mission Breakthrough" would deliver improvements, key to the organization's financial performance.

In 2007 Bob's Stores improved top-line results, with bottom line nearly halved its segment loss from the prior year. Additionally merchandise margins improved significantly, and they began to deliver positive comparable store sales increases.

The Next Wave

Wave 2 started in late 2007 with two main areas of focus. First, projects extended improvement areas from Wave 1. Second, Wave 2 would address supply chain opportunities including areas of direct ship, vendor compliance and transportation management. Finally, Wave 2 also included projects addressing instore and permanent markdown and print marketing processes. New project leaders joined in, increasing the number of skilled resources and active projects.

At a key internal town hall meeting, timed with the launch of Wave 2, AVP Six Sigma Director Dave Rosenfeld recaps Wave 1 results. "It was great to show the organization the payoff that we were beginning to realize. People couldn't believe it when they saw six- and seven-figure savings coming from the projects. Results make believers of everyone! Now we have some traction."

Five X Return on Investment

The return on investment (ROI) for the program has been carefully tracked; customers have seen the benefit, key processes were improved, and teams have developed leadership and problem solving skills. The ROI is greater than 5x over two years and accelerating.

By August 2008, Bob's Stores made progress in improving its comparable store sales, operating results and cash flow. As (then) SVP General Merchandise Manager Kelly Toussaint puts it, "Coming from a merchandising background, I went from being one of the biggest skeptics of Six Sigma in the leadership kickoff meetings to being thoroughly convinced that Six Sigma is the way we can most effectively improve our business for our customers. We delivered key financial improvements, learned a lot and are ready for growth and further improvement."

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1 Source: Hoover's

2 This process repeats itself on an annual basis as part of the strategic planning and budgeting process.