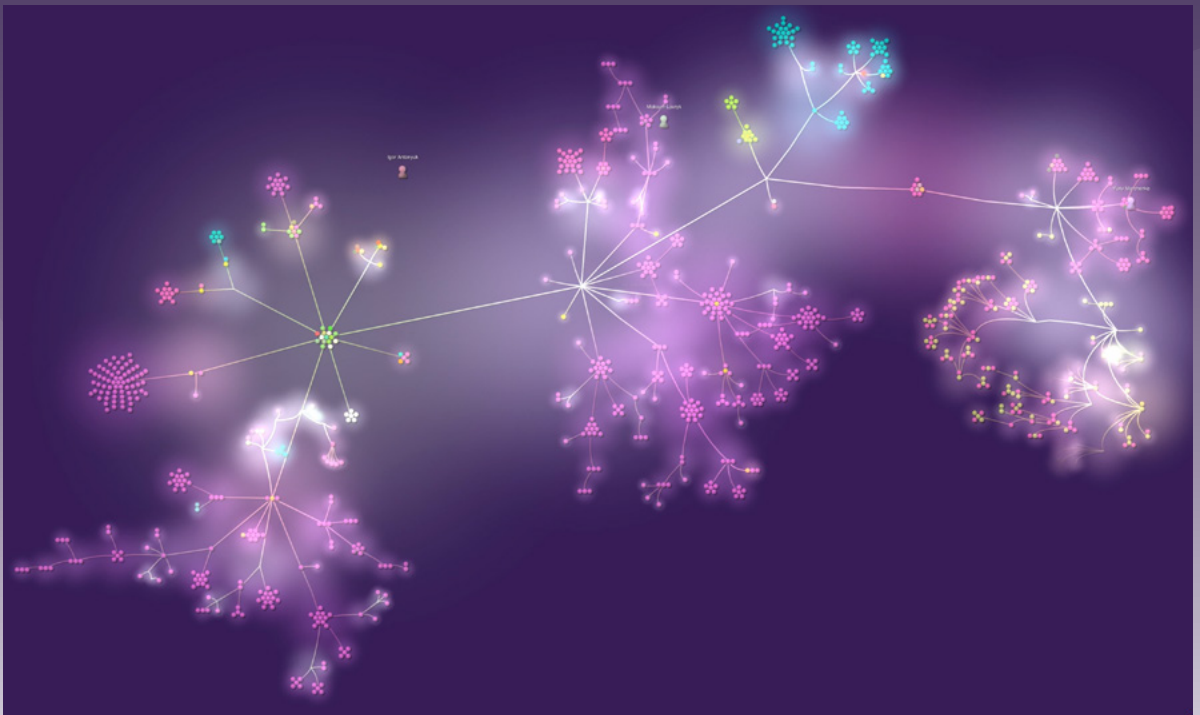


Agile in action.

Quorso's Agile Stores Lab reveals how retailers are majorly benefiting from going Agile.

*Retail is becoming **Agile, Simple, and Human.**
Welcome to a new era in retail store management.*



Top Stats from our Agile Stores Lab.

1

High value improvement is concentrated in a few key actions:

The stores analyzed in our Agile Stores Lab received on average **21 Missions** each week greater than **\$200/week**

2

These actions are different for each store:

Over **80%** of potential Missions are surfaced at only **4 or fewer** stores

3

Taking the right actions doesn't have to be hard:

Stores leak on average **10.6%** of sales through simple instore issues

4

And taking (the right) actions really works!

81% of Missions generate positive improvement of **\$165/week** on average

5

The more Missions, the more improvement...:

The stores in our Lab doing **3 Missions** per week see an average weekly sales uplift of **\$4k**, while the stores doing **5 Missions** see **\$7k**

6

And the more uplift, the more success!

83% of the stores using Quorso's Agile Stores app outperform their peers

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Leading retailers are proving the value of Agile.

“

Leading retailers are upending existing business models to deliver omnichannel customer experiences and fulfilment.”



As we all know, the pandemic has greatly accelerated the retail trends that have surfaced over the last decade.

Every retailer on the planet is now facing a rapidly shifting business environment, in parallel with the need to innovate by upending existing business models to deliver omnichannel customer experiences and fulfilment options.

Although most of the headlines remain ecommerce focused, stores still are at the heart of future retail. Even in 2020, they contributed over 85%¹ of all US retail sales, grew by 2.9% and companies like Target have noted that even during the pandemic 95% of their sales still went through stores.

Store teams, therefore, also remain at the heart of future retail. These hard-working colleagues have had to respond rapidly to local issues: out-of-stocks, absent staff, panic buying customers, the growth of BOPIS, etc.

Over the last 12 months retailers have taken stock of the nimbleness, customer-centric mindset, and dynamism they managed to operate with during the pandemic and are looking to see how they can continue operating like this sustainably in future. This has led to a surge of interest in the “**Agile Store**”.

In fact, in mid-2020, the consulting firm Bain & Company surveyed 800 large retailers and found that “72%... are trying to work in a more agile way since the pandemic, whether they call it this or not”². By January 2021, Agile Stores had become one of the top discussed themes at the retail industry’s NRF event.

In January, we released a report on why “Retail’s Agile Moment is Now”. Building on Software’s original Agile Manifesto, we laid out the four fundamental values behind Agile Stores.

4 Values of Agile Stores

1. **Engaged humans** over compliant task doers
2. **Action** over insight
3. **Store networking** over central instruction
4. **Learning and adapting** over following a plan

Now it’s time to look at Agile In Action and measure the value of Agile to your business. In this report I am excited to launch Quorso’s Agile Stores Lab. Our team of data scientists will not just present what good Agile practices look like, but provide the data to back it up.

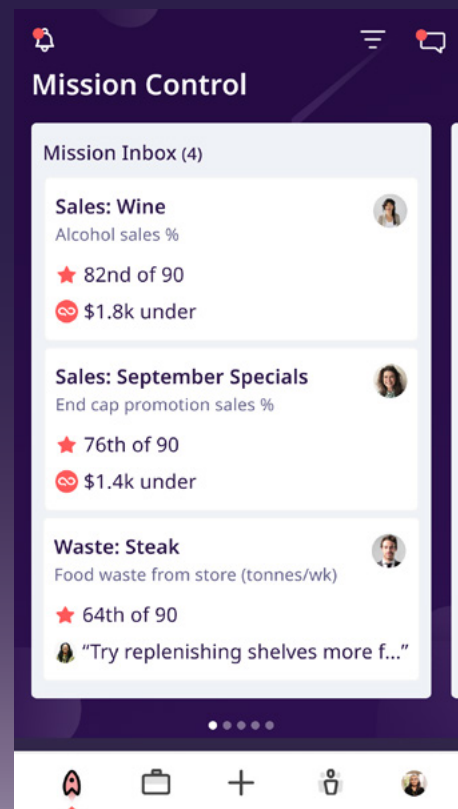
If you find their insights intriguing and useful, do share them with your colleagues and you can subscribe to more Agile Stores Lab pieces on our website. We aim to release regular valuable content and resources on the value of being Agile today.

Julian Mills
Co-Founder & CEO, Quorso

¹ US Department of Commerce

² Bain & Company: “Agile Retail during a Time of Crisis”, June 26, 2020

Introducing the Agile Stores Lab.



Every week, Quorso measures and analyzes thousands of actions that Store Managers are taking in order to drive performance. Our Agile Stores Lab team seeks to interpret samples of this data and what it means for modern retailers.

22,583 Sales Missions were analyzed for this report.

The Quorso platform granularly analyzes a company's Management Information (e.g. Sales data straight from a POS system), looking for where there are big store exceptions in performance. An example is shown in the pull out.

Store Managers use the app to launch an action plan to improve the exception that has been identified. The plan contains details like root cause (stock, planogram, training etc. issue), description and target. We'll call

this action to improve an exception a 'Mission' from now on.

Managers then use Quorso to granularly track the impact of each of their Missions, at a level of statistical robustness it would be too boring to go into here.

This allows Area Leaders and central teams to see with a high degree of accuracy what their store teams are focusing on to drive performance, the actions they are taking, and the impact each of their Missions is having on business targets.

Our Lab answers your Agile Retail questions.

Our Agile Stores Lab aims to answer definitively with data the questions everyone has always wanted to know about what really drives performance in stores.

For this report we analyzed 22,583 Manager Missions that were solely focused only on improving Sales. Retailers in the selected sample set had large store networks i.e. greater than 100 stores.

Now you know the source of our insights, read on to learn what our Lab discovered about the value of Agile Stores.





The value of Agile Stores.

“
**World leading
retailers are already
reaping the benefits
of operating in an
Agile way – and their
Store teams are at
the heart of this.”**

We've described in depth the reason and theory behind Agile Stores in other reports, but what's the actual value?

Here our Agile Stores Lab goes into depth on four specific areas of value that Agile Stores bring out.

Based on 22,583 Sales-related Missions from the last 3 months, our data keeps showing why these elements of Agility are crucial for retailers to be incorporating into their stores today.

1. **The value of Localization**
– why priorities need to be thought about locally
2. **The value of Action**
– how it is cumulative small gains that drive performance
3. **The value of Engagement**
– why more Missions = more value
4. **The value of Learning**
– why the feedback loop is essential



The value of Localization.

Customer personalization is one of the biggest themes within retail. For many, digital and AI offer the grand possibility of one-to-one commerce. The vision is for a customer to have an individualized experience with your brand.

Compare the desire for personalization with the way stores are run today. Standardized reports, processes, promotions, KPIs, visits, checklists are rolled out across every store. The customer may need personalization, but resources for Store Managers sit at the opposite, commoditized end of the spectrum.

Are such broad brush approaches for Store Managers optimal? Our data suggests not.

Most of a store's lost sales are concentrated in a small number of issues.

Mission opportunities are found by continually analyzing the sales performance of every product, every hour of every day vs a control group of stores with the same dynamics (range, space, category activity, etc).

The first important insight here is that although a store has thousands of actions it can possibly take, the highest value ones at any one time tend to be relatively concentrated. Every week, the stores being analyzed in our Agile Stores Lab see on average 21 opportunities greater than \$200/week (you can see this by subsector in *Table 1* below). Clearly finding where these areas of value are is essential.

Table 1. Average store opportunities >\$200 by subsector.

Retailer	Grocery	Home	Apparel	Specialty	Average
Av. Store Missions >\$200 per week in value	33	27	10	21	21

“

What makes it tricky though, is for every store the best areas to focus on differ.”

Sending the same daily Reports, SOPs, etc. to every Manager would make sense if all these opportunities were the same across stores. However, when our Agile Stores Lab looked to see how often Missions were surfaced over a 3 month period -

Over 80% of potential Missions were surfaced at only 4 or fewer stores.

In other words, every single store is likely to have wildly different areas they need to focus on in order to improve. For example, one store can sell more cookies, another more sausages.

What this means for retail.

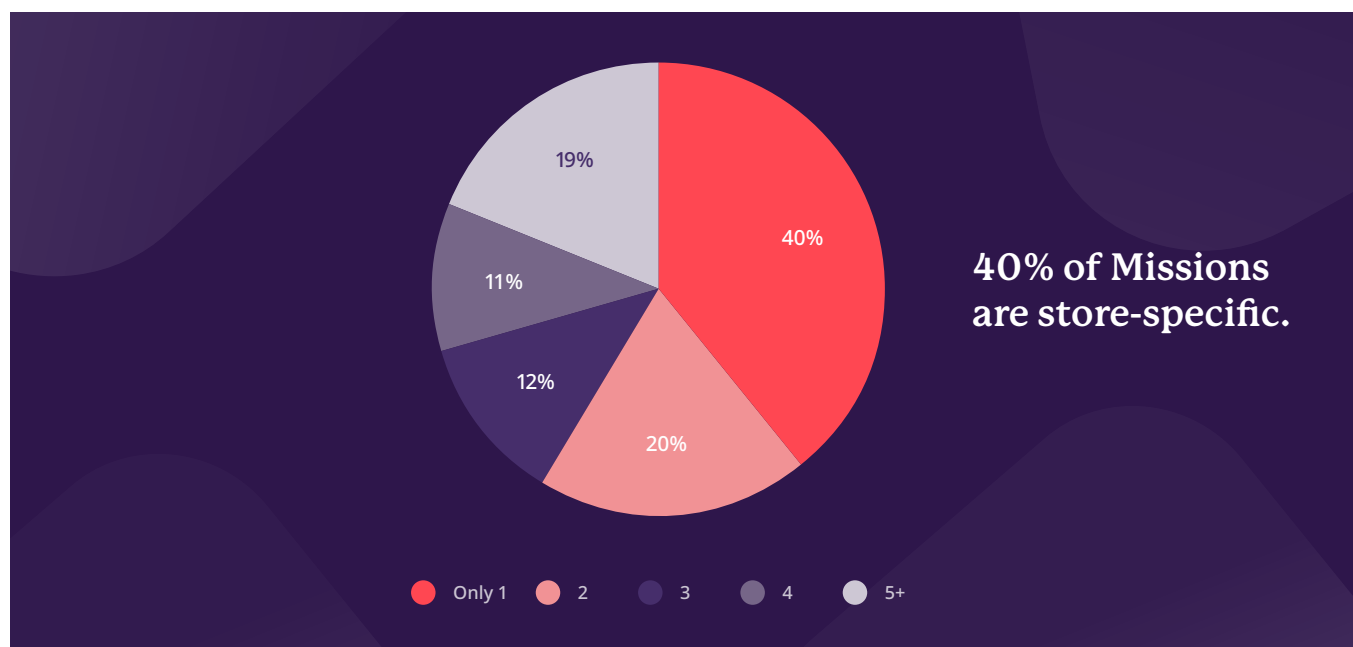
The conclusion here is that store personalization is the key to discovering and unlocking value within stores. Retailers need to focus their analysis and insights not just on broad brush themes but also on the store-specific issues.

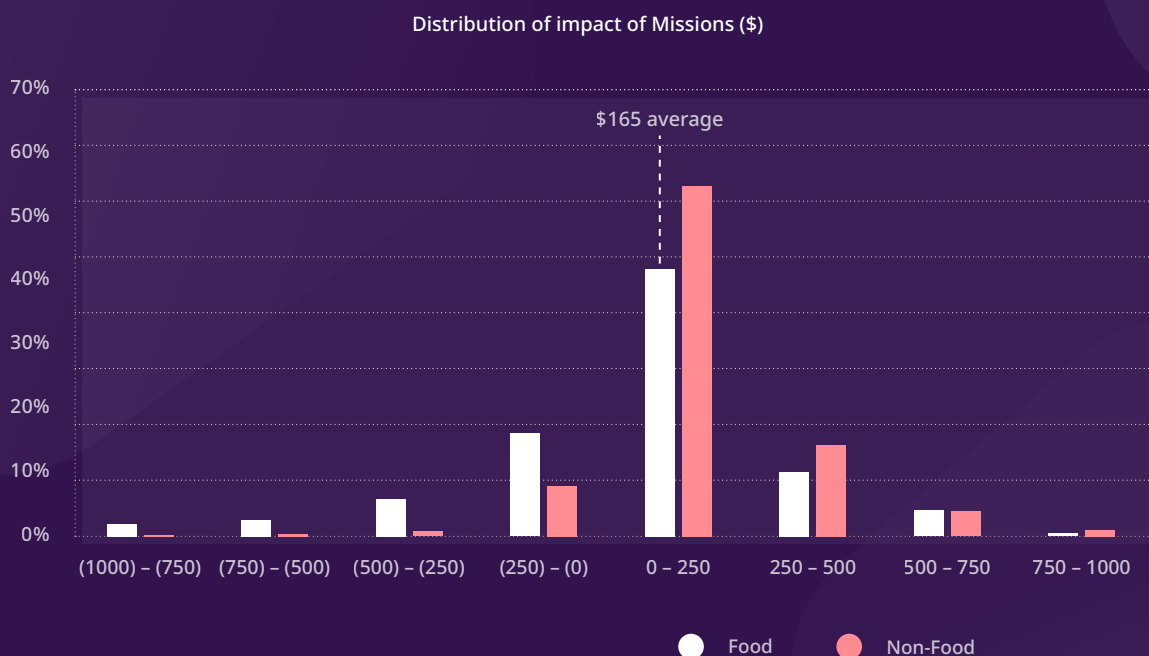
So far, this is all about finding the right problems to focus on – but what about actually fixing them?

Key Takeaways:

- Retailers typically focus on global initiatives that tend to get cascaded top-down across all stores in a push for standardization
- Given the specific, local challenges each store faces, most global initiatives will by their nature only benefit a limited number of stores
- Recognizing the importance of local management strategies is essential to unlocking more value across the store network

Diagram 1. Number of stores where a specific Mission was surfaced.





The value of Action.

Missions drive \$165/week improvement on average.

Diagram 2. Distribution of sales uplift from Missions.

Most retailers deep down feel the only effective way to achieve growth is to open new stores, or create a new product category. You see this in the huge store and SKU expansion of the last few decades.

The 'growth by big projects model', requires Managers to be compliant executors of templated roll-outs and operations, rather than value-adding merchants.

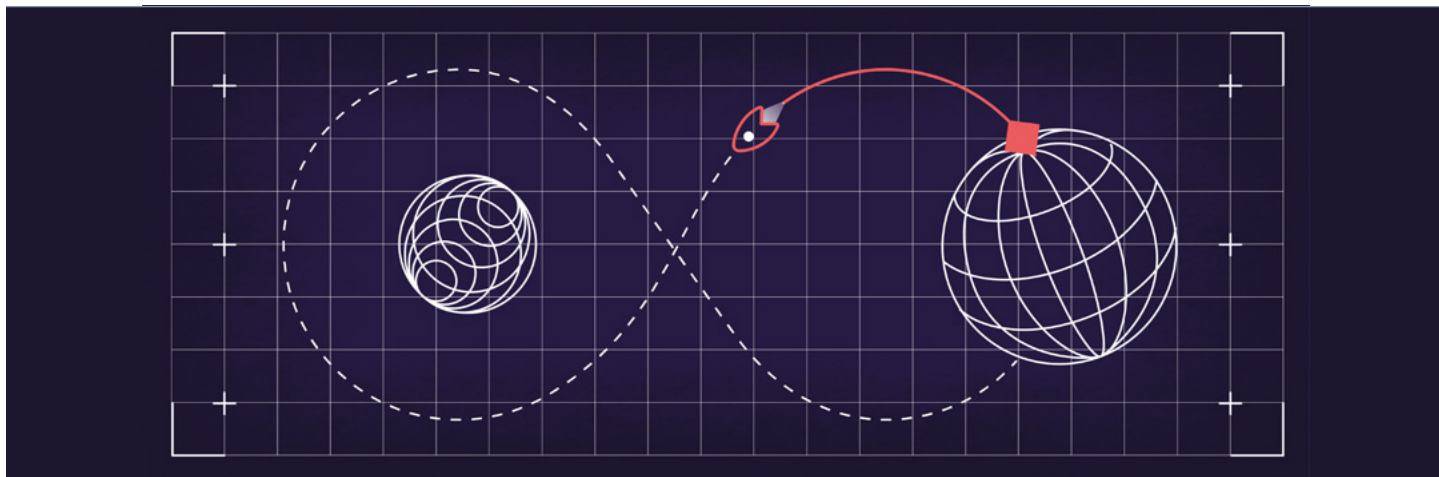
But the Agile Stores Lab data shows that, to achieve organic growth, the day-to-day/small scale actions of store teams are vital. And in fact, reducing store sales leakage is one of the biggest low hanging fruits in retail.

Our data showed the average store leaks 10.6% of sales through simple in-store issues (e.g., slow replenishment, poor display, colleagues who don't know the product range).

Not only is this a less risky growth option to go after (you already have the stores and the customers), but it also has a higher drop through to profit, given you are leveraging the stores' existing infrastructure and costs.

Diagram 2 shows the general distribution of how much sales uplift each Mission delivered. (We split it out by Grocery vs non-grocery, but generally every company we looked at had a similar distribution).

On average, Missions drive a \$165/week improvement, which follows a pretty normal distribution of incidence, (i.e. the bell curves we all remember from high school). 81% of Missions generated positive improvement.



“

The core idea here is that getting your people taking rapid actions in the right areas is vitally important.”

In other words, you can drive significant improvement by lots of people taking actions that drive relatively small amounts of improvement, rather than needing big, groundbreaking shifts.

A further interesting observation by our Lab team is that they haven't found a factor yet that impacts or skews this general distribution of improvement.

Grocers, apparel companies, homeware, specialty, all see a similar trend, although the numbers vary a bit. It also doesn't matter what the root cause people were trying to fix was. Stock-outs, replenishments, planogram changes, training, all have followed a similar distribution of improvement.

What this means for retail.

Improvement in stores seems to follow a similar mantra as James Clear's NYT bestselling book *Atomic Habits* "Tiny changes, remarkable results". \$165/week sounds little on the face of it, but these improvements are small and easy to do, and changes that seem small and unimportant at first can add up to remarkable results.

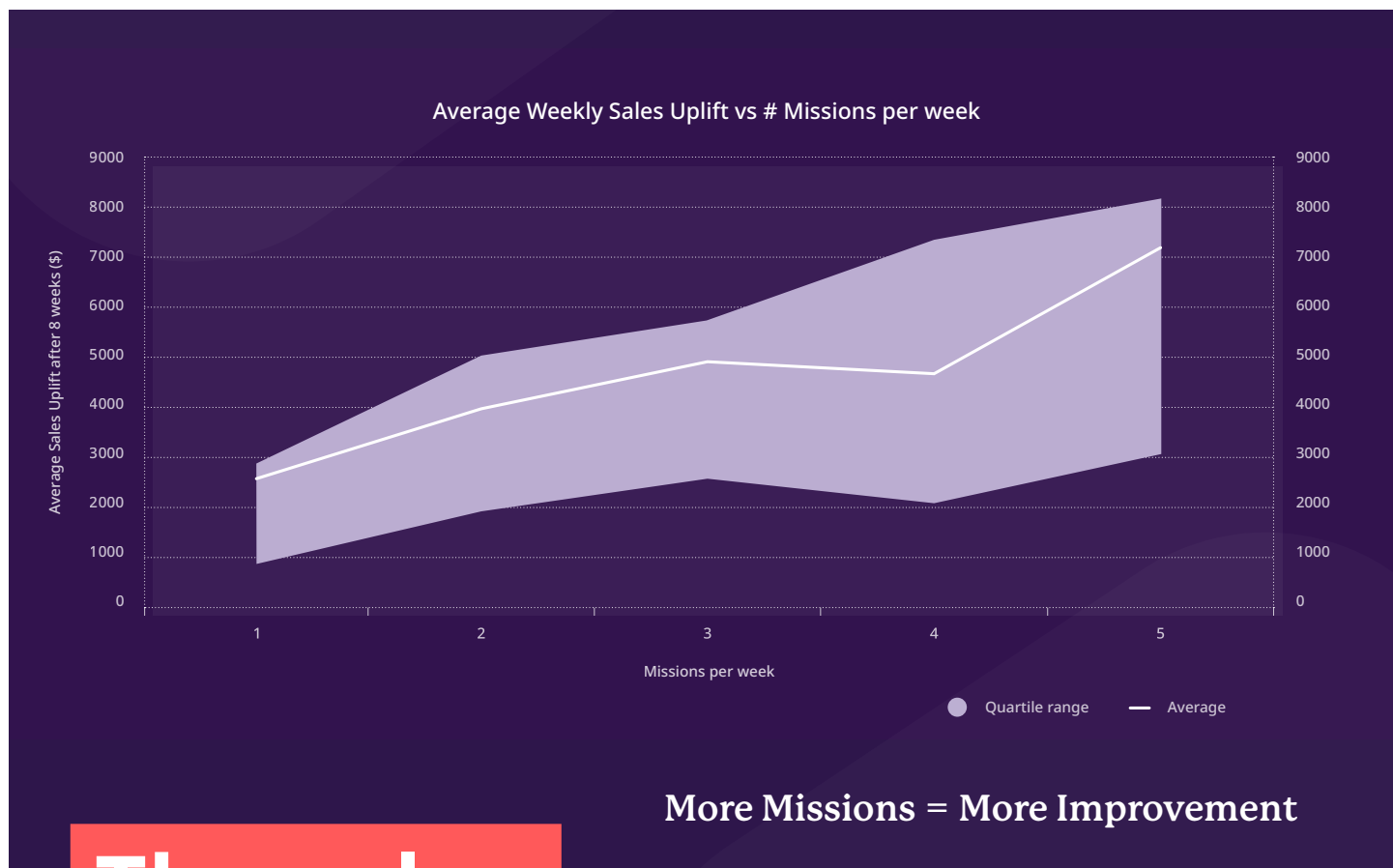
Completing 3 Missions every week with the benefit lasting for a minimum of 8 weeks quickly compounds. The simple maths is that a run rate of 24 Manager Missions at any time would add \$4,000/week or >\$200k p.a.

The core idea here is that getting your people taking rapid actions in the right areas is vitally important.

The next big question becomes what's stopping Managers achieving this value?

Key Takeaways:

- Most growth initiatives focus on moving the needle in big ways through e.g. store openings or product enhancements
- This ignores the importance of small cumulative gains that can deliver significant value over time
- Getting your people to take rapid actions in the right areas is one of the lowest hanging fruits for improving store performance



The value of Engagement.

Diagram 3. Weekly top line improvement vs average weekly Missions taken by a Store Manager.

Store teams are overwhelmed, we all know this. And every retailer we speak to is asking the same question: “How do I take more off my team’s already loaded plates?”

But being busy doesn’t necessarily mean being productive, and when we speak to Store Managers about what stops them from spending more time on productive activities, two frictions come up again and again. The first friction is caused by data admin and analysis. Most Store Managers spend over 6 hours a week analysing, interpreting or reporting on data.

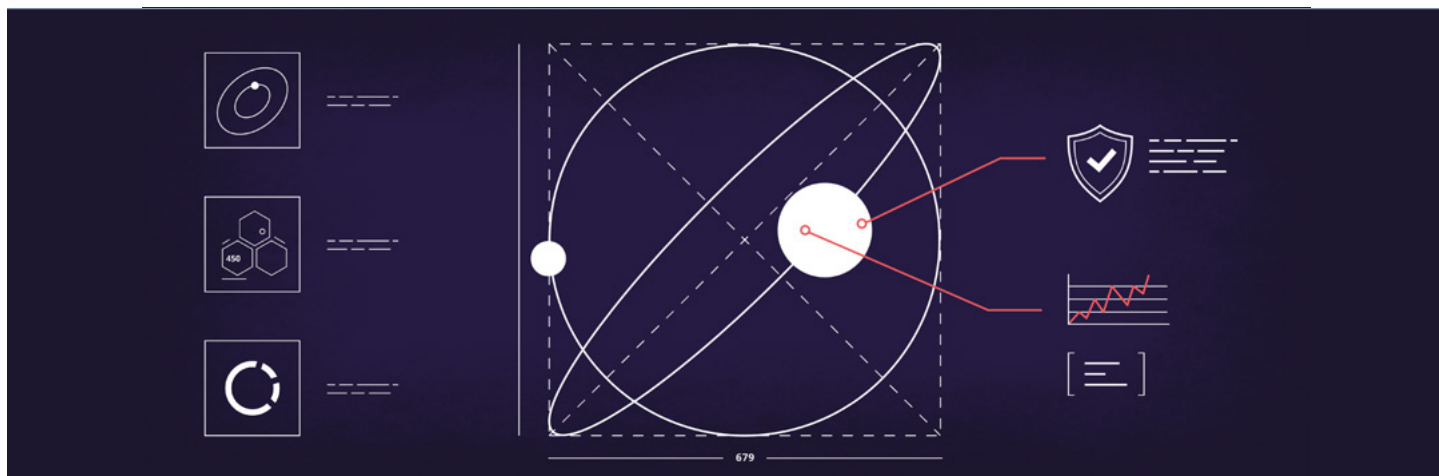
Not only is that a lot of wasted time, but also a huge cost to the business. The daily cost of a Store Manager is often \$250+, so their data analysis needs to find a lot of improvement opportunities to drive an appropriate ROI.

The second friction is caused by lack of motivation. The fact that more engaged teams do more and see more success is obvious. How you drive that motivation is the bigger question. Qualitative feedback from the Managers we have surveyed suggests that they were driven to do more both by feeling a sense of progress, i.e actually seeing that their actions were driving the top-line, as well as by good old fashioned competition, i.e knowing how they were doing versus others.

Is there a limit to success when you remove these frictions?

To date we’ve limited Managers using Quorso to completing no more than 5 Missions a week, (which is still material as described above).

The expectation was that taking on more Missions dilutes focus and creates diminishing returns. However our Agile Stores Lab data revealed that the opposite is in fact true. As *Diagram 3* shows, the more Missions, the greater the top line improvement by the store. More Missions = more value, without any sign of a limiting factor yet.



What this means for retail.

Remove the barriers to engagement. Retailers should invest in areas that reduce the amount of analytical work Managers have to undertake, so that they can focus on what really matters, delighting customers and supporting their teams.

Also, double down on motivation. The more you can gamify progress and competition across your networks, the better.

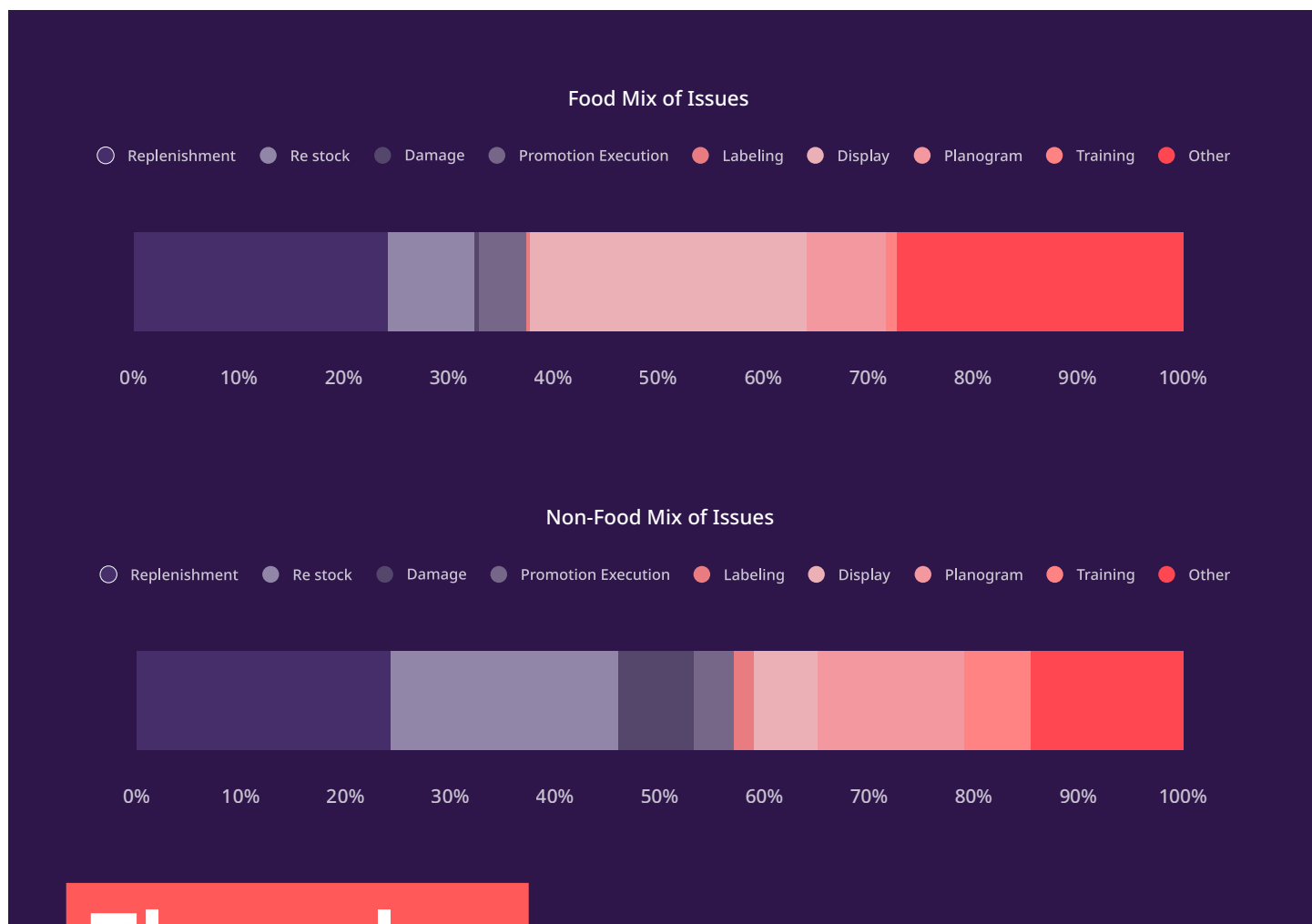
“

The more you can gamify progress and competition across your networks the better.”

Key Takeaways:

- Store Ops teams have a general reluctance to change things because they are afraid it will add more to the plates of already overwhelmed Store Managers
- Yet Managers are completing many activities that are not only time-consuming and adding little clear value, but are also demotivating – so their valuable time is not being best spent
- More Missions = more value. So retailers need to boost engagement by decreasing time spent on less valuable actions and increasing motivation through visible impact and healthy competition

The fact that people taking the right actions to deliver improvement will in turn drive value should be uncontroversial, but what else can we learn?



The value of Learning.

Diagram 4a. Food root causes incidence.
Diagram 4b. Non-Food root causes incidence.

Do you know where your stores are losing value?

When earlier this year we interviewed a number of retail execs about the biggest challenge impacting Store Operations, they almost unanimously got the answer wrong.

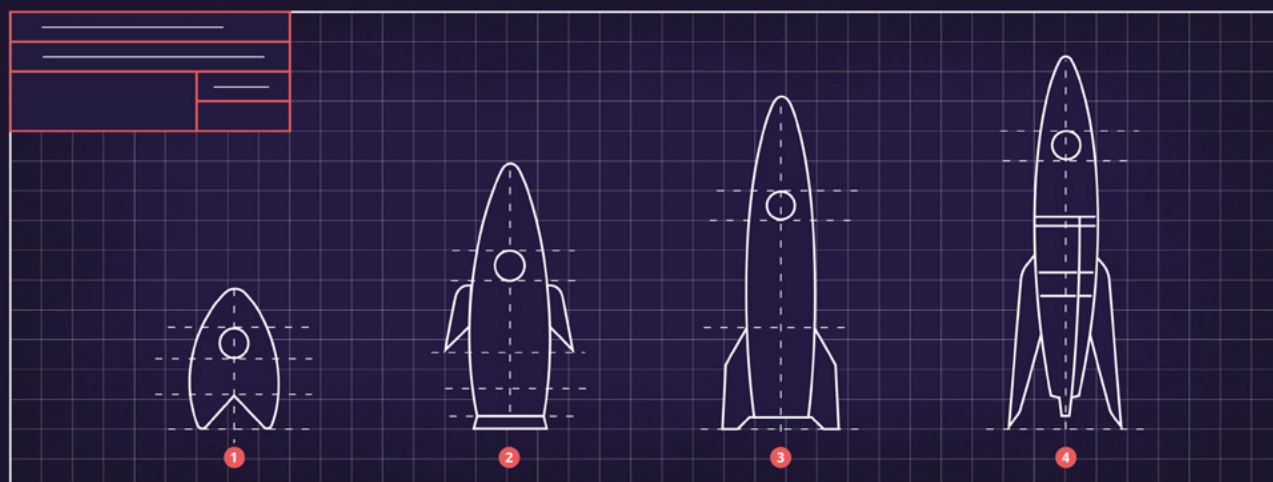
For example, a common answer they gave us was stock outs. Yet, at those retailers, how often was 'lack of stock' stated as the root cause for the Missions their store teams were tackling? In Food categories out of stocks were only 8% of Missions and Non-Food 19% of Missions.

Diagrams 4a and 4b show an overview of the root causes behind the Missions in Food and Non-Food categories. 'Replenishment' (stock in the backroom,

but not on the shelves) outweighed out of stocks ('Re stock') in both cases. Other areas, like Presentation, Pricing and Training were also key.

Communication of this sort of information between stores and the center is vital. For instance, imagine you are considering implementing robots or cameras to improve inventory accuracy for out of stocks. If only 20% of the issues in store are out of stock related, will this drive appropriate ROI? Or is the value of an additional team member to replenish more shelves going to outweigh this?

It is also worth pointing out that even when there were issues like out of stocks, Managers were still able to claw back ~41% of lost sales.



“

There is not just value in knowing where the issues are, but also in knowing the innovative things teams are doing to fix them.”

What this means for retail.

It is not enough to just push tasks and information out to stores. Having a proper feedback loop between the field and HQ is essential for sharing learnings and making sure that central initiatives are always focused on the most impactful instore issues.

Key Takeaways:

- The feedback loop between center and field is often missing in retail, so HQ and stores end up with wildly different views on where performance is being leaked
- Fixing this feedback loop has two significant benefits:
 1. To get feedback to the center on what issues are actually causing underperformance, rather than them assuming they know
 2. To understand what innovative actions store teams are taking to fix issues so that these can be spread across the network
- When the center and the stores are in sync in these two ways it ensures HQ investment is made in the right areas

First their numbers, now their words.

As well as analyzing their Agile Stores data, we also talked to our customers about their experiences becoming Agile.

Focus on Localization

"Quorso is really game-changing for us. It gives us unprecedented visibility of what is going on in each of our stores, all in one place. And then it shows us what needs to be done where next, how to do it and tracks if it works."

Sara M, Head of Operations (Top 5 global department store chain)

Focus on Action

"Don't just look at the opportunity of each action in isolation. Think about long term sales impacts. Although Missions may only gain \$300 a week, think of it as annualized and the enduring benefit. Think about how it builds throughout the year and how sales carry over week on week."

Todd P, District Leader (\$8bn US Retailer)

Focus on Engagement

"Quorso is driving the stores to take action above and beyond what they would ordinarily have done. It's also a great tool for coaching and developing our Assistant Managers who can now clearly see what impacts commercial performance."

Corey D, District Manager (#1 in category US Specialty Retailer)

Focus on Learning

"Tracking Missions was also important to us at the center. We now have firm evidence of the most common root causes that we need to fix to drive more sales. And the results speak for themselves – within six weeks, our stores using Quorso increased their top line sales by 6%."

Chris R, VP Operations (#1 in category US Specialty Retailer)

Summing this all up.

Many companies are quite rightly focused on making digital innovations to launch themselves into a new era of retailing. But what the research from our Agile Stores Lab shows is that it is essential to combine this innovation with a focus on agility.

A successful Agile Stores strategy needs to include the following elements to truly unlock value for your teams and business:

- **Focus on Localization** – To ensure that each store knows what they personally should be doing to add most value
- **Focus on Action** – Insights and Analytics are nothing unless they drive actions that accumulate to deliver real benefit
- **Focus on Engagement** – The more people do, the more they'll achieve, so getting them out of the back office and out of the spreadsheets is essential
- **Focus on Learning** – Build robust feedback loops so you can be sure the central initiatives you are taking will add value

Focusing your Store Operations in these four ways will ultimately drive improvement across your business. To find out how much, read on...

Calculate your \$ impact from going Agile.

We've all been there. The dreaded planning and budgeting process. An endless back and forth between you and the Finance team where, at the end of what is usually a painful negotiation, you have committed to a growth target you may only have a partially clear plan for achieving.

New stores opening, new product categories launching, new channels being unlocked – all of this may be outlined already. But for most businesses, there will be a large part of that growth target that is undefined, at least upfront.

Agile Stores take a different approach, creating a clear path to ensure you hit your targets.

Inputs are what lead to outputs.

Once you know what you need to achieve, you then formulaically work backwards to establish what you need to do to achieve your goals.

Take the example of data from Quorso's Agile Stores Lab presented in the previous article. We can work backwards to show how to drive sales in a business.

Sales uplift = # Missions x Average uplift per Mission.

I.e. You can either drive sales uplift by increasing the average uplift per Mission undertaken, or by increasing the number of Missions.

The former is, as explained in the previous article, likely to have a modest average e.g. \$165/week, but the latter is based on the amount of activity your teams can drive.

Table 2 shows how the cumulative activity of 3 Missions per week over 8 weeks starts to materialize into pretty substantial gains for a store with \$100,000 of weekly sales.

The same approach can apply to any metric you are trying to drive. First, understand what drives the output you are trying to influence. Then, in order to hit your targets, you just need to work backwards, figuring out which of the inputs you can influence.

For a store with \$100,000 weekly sales, 3 Missions per week = 4% annualized gains.

Table 2. How Mission Activity translates into sales uplift.

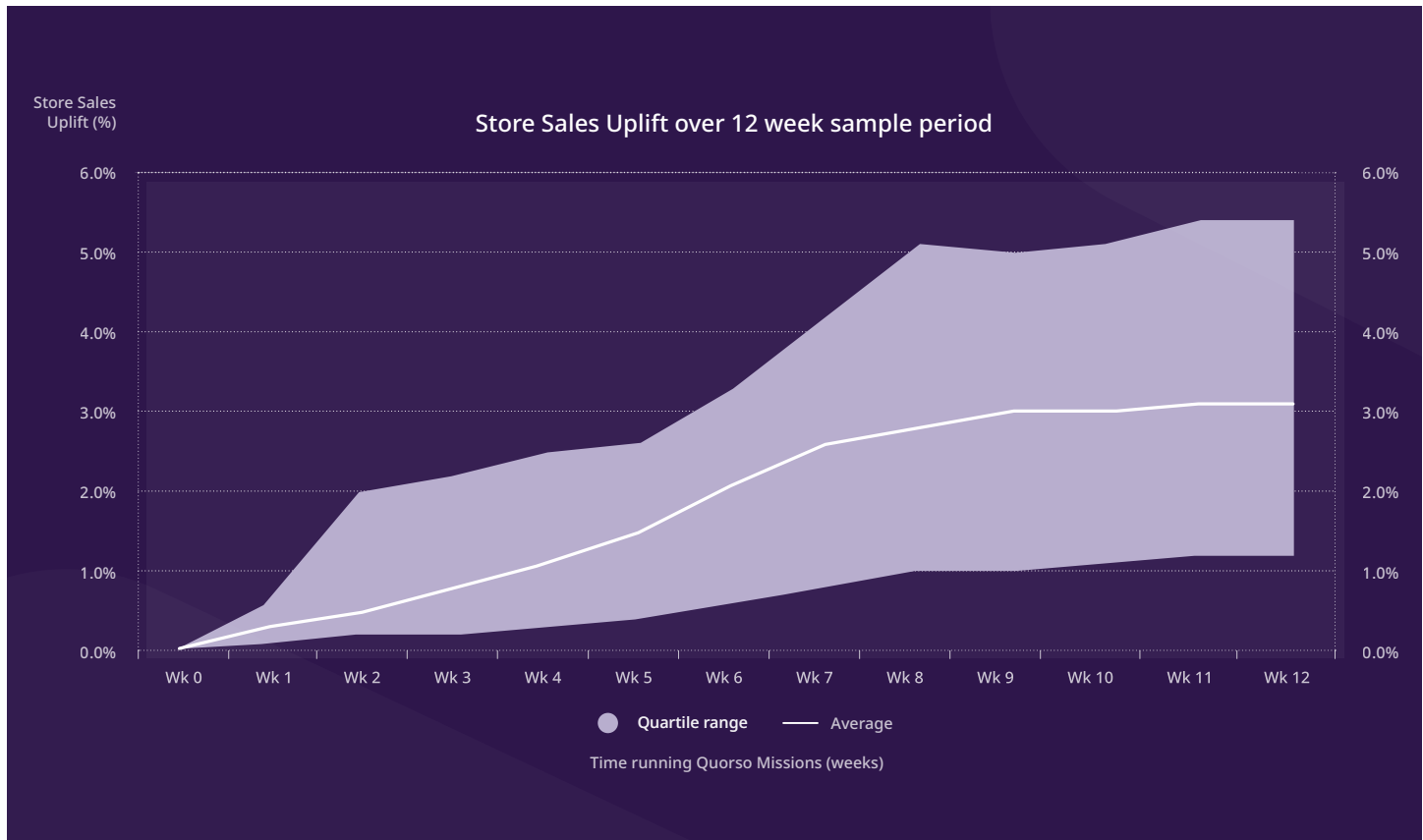
How Mission activity drives sales								
Average weekly sales uplift per mission	\$165							
Sales per store	\$100,000							
Week	1	2	3	4	5	6	7	8
3 Missions per store per week	3	6	9	12	15	18	21	24
Sales Uplift	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%

So how much Sales value can you unlock with an Agile Stores approach?

Diagram 5 shows what this looks like in the wild, i.e. the range of top line performance improvement driven by our set of sample stores over the 12-week analysis period.

Our Lab results show an average of 3% top line growth (with a quartile range of 1-5%).

Diagram 5. How Missions translate into Sales Uplift.



Calculate your own Agile Score and potential sales improvement with our Agile Stores Calculator:

www.quorso.com/agile-calculator

Now clearly there were a few different factors that led to this growth hidden within the chart. The number of Missions and the overall weekly store sales being two core drivers.

So to make it easy for you, we've built a calculator to not only help you assess what kind of uplift you can expect from an Agile Stores approach, but also give you a sense of how Agile your practices are today.

Have these answers at the ready:

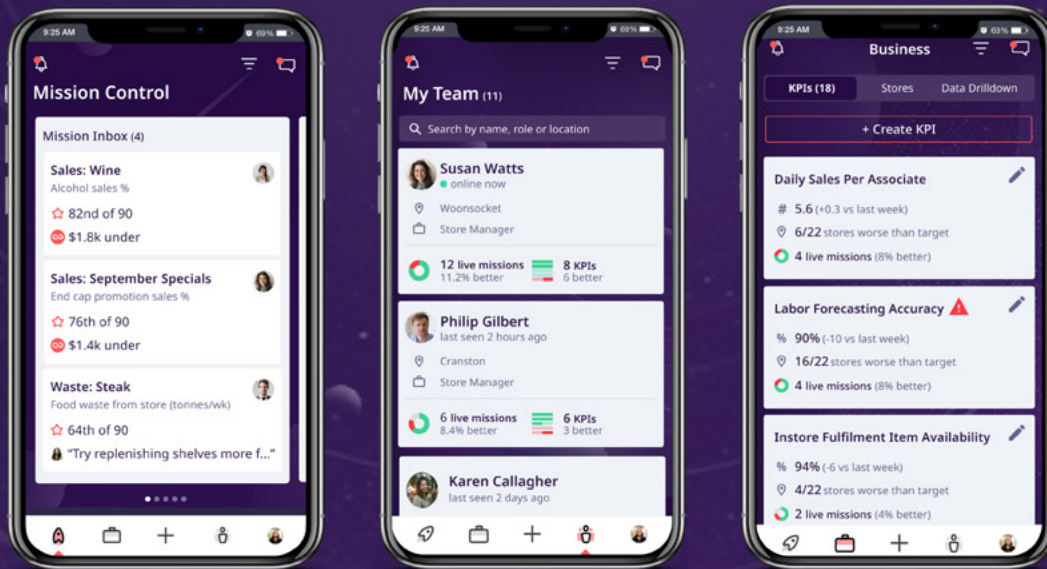
- How easily can your stores identify next-best opportunities to improve Sales or other KPIs?
- How well do you track your stores' actions to drive Sales or other KPIs?
- How easily can your stores share best practice and learn from each other?
- How quickly can you pivot the organization to focus on a new KPI, e.g., shrink, or product line?

Get **agile** in days.

Tired of wasting hours **lost in complex reports?**

Keen to motivate and **grow every manager?**

Struggling to see what **works and scale it?**



Prioritize. Act. Learn. With Quorso's **Agile Stores App**.

Quorso sends Store Managers on personalized daily Missions to drive improvement.

Endless number-crunching and overwhelming effort become a thing of the past.

And store operations become agile, simple and human.

World leading retailers are already using Agile Stores technology to steer their business, excite their teams, increase Sales and drive KPIs.

Join them today! www.quorso.com



Thanks for reading! If you're interested in discussing any of the ideas in this report, then feel free to get in touch.

We're especially keen to know what you would like us to research next?

And make sure to Follow us on LinkedIn and Twitter, so you don't miss any of our daily content on Agile Retail best practices.

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Hi, I'm the CNO (Chief Number-crunching Officer) at Quorso's Agile Stores Lab.

I love digging through our customer data to find trends and patterns, so we can measure exactly how going Agile is helping their stores to thrive.

If you have a specific question, our Lab likely has the answer! Just send it my way.

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