


**A Alert**

**Early Six Sigma Retailing Quotient Results: Sad, but Improvement Opportunities Abound**

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In 2004, AMR Research introduced the Six Sigma Retailing Quotient (SSRQ), the Retail industry's first comprehensive assessment model for evaluating store operations maturity (see the *AMR Research Report "The Six Sigma Retailing Quotient: Measuring Store Operations Effectiveness,"* July 2004). To complete the SSRQ assessment tool, respondents are asked to rate their store operations maturity on a scale of 1 to 6 for 18 different store operation processes and technologies. The results are weighted by segment, according to what consumers have stated are their key expectations in their different shopping experiences. Since the SSRQ's release last fall, executives at 53 retailers in six different segments (grocery, department store, chain drug, convenience, mass merchant, and specialty) have completed the assessment, measuring their own view of the current state of different store-centric processes and technologies, and benchmarking those results against other retailers. The higher the score, the more likely a retailer can eliminate variability in the store experience, the critical goal of Six Sigma Retailing (SSR).

**The Bottom Line:** For retailers that have completed the SSRQ thus far, years of increasing technology investment have yet to translate into any marked improvement in store operations effectiveness. No leaders have emerged, leaving strong market opportunities for SSR-savvy companies.

**What the Scores Mean:** AMR Research's first broad analysis of SSRQ scores shows that retailers of all types still struggle to find the levels of store operations excellence necessary to capture the mindset of increasingly finicky consumers. The average SSRQ score across the sample was 3.01 out of a possible 6. When examining the specific SSRQ scores for each critical-to-quality component of SSR, the results across all industry segments show that retailers in the survey did best with Customer Intimacy (3.27) and Employee Efficiency (3.05). An average Product Availability score of 2.71 dragged overall results down, as retailers noted their continuing difficulties in taming the ongoing out-of-stock problem (see Figure 1).

When reviewing scores by industry segment and SSRQ component, results begin to vary widely. Grocery retailers in the survey validated that segment's ongoing dilemma with out-of-stocks by averaging only 2.18 in Product Availability. Conversely, specialty retailers saw much better stock conditions, averaging nearly one point higher in Product Availability at 3.12, because of more advance perpetual inventory practices. Mass merchants had the highest Employee Efficiency scores at 3.41, reflecting a greater labor emphasis on sales rather than service. Grocers, on the other hand, still must improve Employee Efficiency, with an average score of 2.84.

The most striking SSRQ component score was Customer Intimacy for specialty retailers. While this segment did score the highest overall Customer Intimacy average at 3.26, the

**Figure 1:** Overall Six Sigma Retailing scores as of June 13, 2005



relatively small gap with mass merchants—scoring 3.08 for Customer Intimacy—shows that the need to differentiate by establishing closer relationships with their specialty retailing consumers is not producing the desired leadership from other retail segments. **The Takeaway:** Those that understand the store experience opportunity detailed in these scores can grab hold of tremendous consumer mindshare with a technology-aided store operations strategy that quickly addresses SSR priorities.

### Vendors are aligning their marketing messages to SSRQ requirements

As retailers review early SSRQ scores that show the relatively poor shape of their store operations environment, retail technology vendors are jumping on the opportunity to provide systems that will help improve SSR critical-to-quality processes: customer intimacy, product availability, and employee efficiency. Here are some examples:

- **Lawson Software** now outlines for customers and prospects how its *InSight*, *Retail Operations*, and *Human Resources* products can directly affect SSRQ success metrics.
- **Retek**, with support from its new parent **Oracle**, demonstrates how *In Store Operations* inside its *release Xi* product can lead to better product availability and customer intimacy, although Workforce Management (WFM) is a clear hole in its current product suite.
- **Brickstream** highlights how its *BehaviorIQ* technology improves customer intimacy and employee efficiency by providing traffic-tracking functionality and automating customer behavior measurement.
- **NetKey** can show successes in retail customer intimacy resulting from efficient content synchronization (management, formatting, and delivery) with various store devices offered in its flagship product.
- **afterBOT** has a powerful retailer case study that shows clear improvements in product availability and customer intimacy resulting from its *TransAccess* and *ReceiptsPLUS* technology.
- Additionally, a number of workforce management vendors or vendors with strong workforce management, including **BlueCube**, **SAP**, **Tomax**, and **Workbrain**, are aligning their product marketing to reflect the role that their WFM products can have on the SSRQ employee efficiency component.

**The Takeaway:** Retailers can now use SSRQ improvement metrics as new and powerful evaluation criteria when reviewing technology products and their abilities.

**Conclusion:** It is no secret that in recent years retailers have accelerated investment in store technology as a major strategy to transform the shopping experience. As highlighted in these early SSRQ scores, it isn't working.

Retailers must ensure that future store spending is directed toward the needed improvements in the critical-to-quality components outlined in the SSRQ. But since results show that most retailers are in the same boat relative to their current maturity, it leaves store experience leadership wide open for the retailer that wants it, and a number of SSRQ-savvy vendors are emerging to help.

For those retailers that have yet to take the SSRQ assessment, now is the time to establish your baseline in store operations maturity so you will know what effect your store spending is having on the consumer experience. [Click here](#) for the SSRQ assessment tool.

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