Four Winning Strategies Used by Top Brands to Save Time and Cut Costs

INTOUCH INSIGHT

Four Winning Strategies Used by Top Brands to Save Time and Cut Costs

Sixty three percent of COOs say increasing efficiency in operations is the number one criteria they're measured on. But finding new ways to achieve these efficiencies can be challenging.

This ebook examines four winning strategies used by top brands for improving operational efficiency. We look at examples from the retail, restaurant and grocery industries, but each strategy is applicable to any industry.

In most cases, these strategies offer opportunities for short-term, quick fixes, as well as long-term overhauls.

THE STRATEGIES, THE BRANDS AND HOW THEY'RE WINNING

1. lululemon empowers field teams to get its most efficient business practices
2. McDonald's offers fewer choices to fix operational problems and boost customer satisfaction
3. Arby's re-evaluates its energy spend to save millions per year
4. Kroger and Tesco automate data capture to react faster

Learn how top brands are using these strategies to win:

Empower field teams

Offer fewer choices

Re-evalute energy spend

Automate data capture

#1: Lululemon empowers field teams to get its most efficient business practices

One of the easiest ways to find new ideas to improve your operations is by empowering field teams to come up with ideas themselves.

For most brands, policies and processes are decided at headquarters, but it's field teams who are responsible for executing day-to-day in-store operations. This makes it difficult for headquarters to know the outcome of these processes and optimize them over time.

This gap leaves room for two potential sources of inefficiency: managers do what they're told, knowing it wastes time and money or managers find work arounds, and best practices don't get shared across the company.

How lululemon approaches leadership to operate more efficiently
Activewear brand lululemon approaches the leadership of its headquarters and store managers differently than most businesses. The brand calls headquarters its "store support center" because it supports its managers instead of governing them.

lululemon gives store managers the "why" and "what" they are supposed to do - but empowers managers to figure out the "how". By sharing ideas and best practices across its locations, everyone tends to execute similarly.

The brand has an open-mind when it comes to employees making mistakes because the benefits outweigh the mistakes. SVP of global brand

By giving employees the tools and power to make decisions - employees feel like their opinions matter. This empowers them to work invest more time, energy and money into the brand.

programs, Eric Petersen, says “the most efficient business practices happen when we actually let go.”

SHIPMENT CHAOS

When large shipments were delivered to stores, there were too many boxes and not enough staff to unpack the shipment.

EMPOWERING EMPLOYEES TO SOLVE THE PROBLEM

When store managers expressed their concerns to head office lululemon immediately switched its shipping policy from sending sixty boxes in one shipment to sending twenty boxes a day for three days. Teams are now able to process shipments faster, saving time and labor costs.

ADDITIONAL BENEFITS

By giving employees the tools and voice to make decisions, employees feel like their opinions matter. This increases employee engagement and happiness, and reduces turnover. Additionally, this strategy results in more productive workers who are willing to invest time, energy and money into the brand.

What’s the key to successfully implementing this strategy?

Part of making this strategy successful, is **sharing best practices** with employees and having an **open-mind** when it comes to teams making mistakes.

#2: McDonald's offers fewer choices to fix operational problems and boost customer satisfaction

Brands often add more choices to stay competitive and respond to consumer demand. This is particularly true in the restaurant industry.

While more choice is meant to liberate consumers, psychologists say it more often results in:

1. Regret and anticipated regret about decisions
2. The feeling of missing out on a better choice
3. Escalation of expectations which aren't always met
4. Increased time and pressure making decisions

So does offering more choices to your customers actually offer them less? All this choice can decrease customer satisfaction, increase decision-making and service-time, while increasing operational costs required to support it.

How McDonald's is fighting the war on choice

In 2014, McDonald's offered 121 items on its menu - 75% more items than it offered in 2004. Both the brand and its customers suffered from the menu's growth, and business operations were impacted in five way.

BIG-MENU PROBLEMS

1. Spend on ingredients increased
2. Product waste increased
3. Service-time became slower/throughput decreased

Too many options cause four outcomes that negatively impact customer satisfaction:

1 *Regret & anticipated regret about decisions*

2 *The feeling of missing out on a better choice*

3 *Escalation of expectations which aren't always met*

4 *Increased time and pressure making decisions*

4. Drive-through lines became longer and sales dropped
5. Customer satisfaction deteriorated

In 2015, McDonald's placed last out of 18 of its competitors for customer satisfaction - an all time low after dropping for six consecutive quarters. Operationally, they were a whopping 55 seconds behind competitor Wendy's for average drive-through time.

SLIMMING DOWN ITS MENU

In 2015, McDonald's announced it's decision to simplify its menu. With 30% of sales coming from only fives items - the brand got rid of less profitable items, cutting back seven of its sandwiches to start.

McDonald's new, simpler menu focuses on profitable core items and a cleaner menu board designed to speed up decision-making.

THE BENEFITS

McDonald's menu axing strategy aims to improve customer satisfaction by delivering on its best items. Operationally, this strategy helps:

- Increase service-time/throughput
- Cut ingredient costs
- Reduce product waste

Making changes to its menu is just one of the operational changes McDonald's has made in the past year to improve service-speed and customer satisfaction. This strategy has contributed to McDonald's stock return of 30.4% in 2015.

Is reducing choices the best decision for my business?

One key thing to note when looking at McDonald's decision to simplify its menu is how the strategy fixed inefficiences relating to time and money - **while improving customer satisfaction.**

Before deciding whether or not this is a good idea to help with operational improvements at your brand - assess how this will impact customer satisfaction.

#3: Arby's re-evaluates its energy spend to save millions

As a controllable operating expense, energy costs are a great place to look for cost-saving opportunities. Having multiple locations means even small changes to your energy spend can add up to large savings.

How Arby's devised a money-saving energy plan

Arby's has nearly 3,400 locations worldwide with average energy costs ranging from $35,000 - $45,000 annually per location. In order to cut back on energy costs, the brand evaluated its energy spend.

POWERING NEW SAVINGS

Arby's audited its operations and identified over $5.5 million in potential annual energy savings. These savings could be achieved with both small and large changes.

LOW-COST CHANGES AND BENEFITS

- Each Arby's location spent $84 on aerators that reduce water flow in kitchen and bathroom faucets by as much as 50%. This saved over $1.6 million a year across its stores.

- The brand invested $134 per store on the cost and installation of special, energy-saving curtains to keep cold air in the walk-in refrigerators. Average first-year savings were over $240,000.

- Stores began turning off some of their energy-intensive fryers during slow hours. This is projected to save over $1 million per year.

Energy can represent one of your corporation's top five controllable expenses.

Arby's identified the potential for over

+5.5 million

in annual energy savings

HIGH-COST CHANGES AND BENEFITS

- Arby's purchased $1,800 programmable thermostats for some of its renovated and new locations. Only store managers and operations execs can adjust the temperature using an app. This reduces high energy costs caused by fluctuating temperatures. The cost of installing them was paid of within a year.

- Arby's is gradually investing in new fryers that cost up to $15,000 to install, but save up to $3,000 in utility costs per year.

ADDITIONAL CHANGES

Arby's also made changes to its energy costs by:

- Adjusting hot water heater controls (most restaurants keep them 10°F higher than necessary)
- Installing low-flow spray valves in sanitizing sinks
- Converting evaporators of walk-in boxes to electronically commutated motors
- Converting outdoor HID lights to LED lights

ADDITIONAL BENEFITS

All of the savings from its sustainability plan allowed the company to upgrade old equipment, update old stores and build new restaurants.

Arby's new energy plan generated:

Internal Return:

97%

Time Period:

Less than 2 years

It generally takes little capital for each location to implement, and the **savings will continue year after year with little to no additional investment.**

#4: Kroger and Tesco automate data capture to react faster

Measuring your operations is key to managing and analyzing performance to identify areas to increase efficiency. If your measurement processes are manual, it could be sucking up a lot of time and resources and limit the amount of measurement you can do.

How Kroger automated data capture to get ahead of the problem

In its commitment to food safety efforts, Kroger measures the temperatures of cold and frozen food cases at over 2,500 supermarkets. Temperatures must be measured often, as they're impacted by the constant opening and closing of food case doors.

Kroger's store associates used to manually take temperatures and record the readings in a paper temperature log.

TIME AND MONEY OUT THE DOOR

With Korger's manual process, associates were not always able to identify temperature changes quick enough. This compromised the freshness of produce, meats, deli and frozen food products, and increased product waste.

Kroger also wanted associates to spend less time recording temperatures and inputting results into paper logs, so they could spend more time engaging with customers.

The electronic temperature monitoring system checks cold and frozen food cases and automatically notify staff when there's a problem.

AUTOMATING PROCESSES TO REACT FASTER

Kroger implemented a real-time electronic temperature measuring project that tracks the temperatures of cold and frozen food cases. When a change in temperature is sensed, an automatic notification is sent to store associates so they can address the issue immediately.

THE BENEFITS

This strategy helps food stay fresher, longer - reducing product waste. It also saves employees time, so they can engage more with customers, and eliminates the need for paper temperature logs.

How Tesco automated data capture to cut costs

Ireland based grocery chain, Tesco, implemented a similar process.

HIGH MAINTENANCE

Tesco's maintenance process was wasting time and money. When there was an issue with one of the brand's refrigerators, maintenance teams would travel to the store, diagnose the problem, and then return with the correct equipment to fix it.

USING TECHNOLOGY TO GET AHEAD OF THE PROBLEM

Tesco implemented an experimental research project to test how using business intelligence tools to analyze refrigeration data could help save time and money on maintenance.

Temperature readings are taken every three seconds from in-store sensors. Results are displayed in real-time on a Google map, which reveal the performance of the refrigerators in more than 120 stores.

Temperatures are automatically taken every three seconds at over 120 stores. Results are displayed in real-time on a Google map.

This allows maintenance teams to identify refrigerators on the map that are not running properly before store managers do. Teams can diagnose the problem remotely, and show up with the right parts to fix problems the first time.

THE BENEFITS

The experiment revealed that many of Tesco's stores were running refrigerators at colder temperatures than necessary, resulting in higher energy costs. By fixing refrigerator temperatures across its 3000 locations, Tesco learned that it could cut energy costs by 20%, with the potential to save nearly $2.3 million US a year in energy costs.

Experimenting with only some of its stores allowed Tesco to gauge the potential for cost savings across its locations - without additional upfront costs.

Tesco identified the potential to save nearly

2.3 million

a year in energy costs

Conclusion

These winning strategies have proven successful for top brands like lululemon, McDonald's, Arby's, Kroger and Tesco.

Each strategy is applicable to any industry and can be implemented for short-term, quick fixes or long-term overhauls. Use the examples discussed in this ebook as inspiration for how you can implement these strategies at your own business to save time and money.

START IMPROVING EFFICIENCIES BY:

1. Empowering field teams
2. Offering fewer choices
3. Re-evaluating energy spend
4. Automating processes with technology

ERIC PETERSEN
SVP GLOBAL BRAND PROGRAMS, LULULEMON

"The most efficient business practices happen when we actually let go."