

Retailer has success strategy down to a science

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Retailers constantly weigh the right mix of promotions, merchandise and decorations in the make-or-break holiday season.

Bon-Ton Stores found a way to boost sales at its Carson Pirie Scott & Co. stores by using a mathematical and scientific technique based on a concept developed by French mathematician Jacques Hadamard at the turn of the century.

"Our comparable-store sales were not good, and our operating profit wasn't where we wanted it to be" when Carson's started testing the technique two years ago, said Ed Carroll, executive vice president of marketing and sales promotion for Bon-Ton Stores, the York, Pa.-based company that bought Carson's from Saks on March 5.

"We asked, 'Is there a way to use science to improve what we know intuitively by experience, about sales?'" said Carroll, who spearheaded the idea to use the technique.

Carson's has now embedded the process into its operations.

The technique, called the Multi-variable Testing solution, or MVT, is provided by QualPro Inc., based in Knoxville, Tenn., to help retailers, manufacturers, telecommunications companies and even political action committees improve their operations and, ultimately, their finances.

QualPro was founded 24 years ago by Charles Holland, who refined a World War II-era enhancement of the concept when he worked as a quality control director at a nuclear weapons plant in Oak Ridge, Tenn. Holland, QualPro's president and CEO, is a protégé of Dr. W. Edwards Deming, famous for his 1980s-era efforts to improve the quality of production.

The process seems too simple to believe: QualPro mines and analyzes a company's data and asks executives, white-collar employees and front-line workers — everyone from the sales clerk to the stockroom worker — for ideas on how to improve sales, productivity or any other pressing problem.

"We get hundreds of ideas on the table — changes to advertising, displays, signs, store layout, and how salespeople treat customers," said



David Cochran, vice president of operations at QualPro.

QualPro narrows the list to 20 to 40 ideas that are fast, practical and cost free.

Carson's tested and refined 32 ideas at 140 stores, including Carson Pirie Scott, Herberger's and Younkers, from fall 2003 through the spring of 2005.

"There were times we had 57 varieties of a run-of-the-press ad going out the door," testing the effectiveness of various ad sizes, content and merchandise mix, Carroll said.

The process generated a 2.4 percentage point pickup over the two-year U.S. retail sales index at stores open at least a year — a vital ingredient in a retailer's success. The gross margin rate stayed flat.

The results were surprising: A special program to get women to sit in makeup chairs at cosmetic counters drove incremental profitable sales, but increasing the number of salespeople on the floor on regular days failed to drive up sales enough to pick up the extra labor costs.

"The process isn't about one situation or idea. It's about getting the right combination," said Carroll, who



ABOVE: Ed Carroll, executive vice president of marketing and sales promotion for Bon-Ton Stores, owner of Carson Pirie Scott, arranges a jewelry display with sales associates Tory Rossow (left) and Elizabeth Bairami at Boston department store in Milwaukee.

LEFT: Brenda Murry, a sales associate, views her makeup after a consultation with cosmetics associates at the store.

—PETER ZUZGA/FOR THE SUN-TIMES

The holidays are a particularly important time to have the best ideas in place, Carroll said.

"If you don't make it here, you don't make it for the year," he said.

QualPro's Cochran said the company's work has shown that 25 percent of what people believe are "wonderful ideas" actually work; 22 percent significantly move the results in the wrong direction, and 53 percent make no difference.

"Companies need to focus on the 25 percent that work, and put some energy into knowing not to do the 22 percent that hurt," he said. "The 53 percent that make no difference almost always results in cost savings."

cautioned that each company will get different answers and that such testing isn't a silver bullet, but one piece in a complex puzzle.

Bon-Ton is weighing whether to test the strategy at its Bon-Ton and Elder Beerman stores after it settles down from its takeover of the Saks Department Store Group.