

A Fresh Look

The multivariable testing process can help improve your marketing, merchandising, or layout strategies by testing dozens of variables at a time.

Sometimes it takes a special event, a merger, or recession to look anew at your operations and question your basic assumptions and practices. That's what happened with Pilot Flying J Travel Centers, and, in fact, it all happened at the same time.

Knoxville, Tenn.-based Pilot Travel Centers, one of the largest privately held companies in the US, acquired Ogden, Utah-based Flying J for \$1.8 billion. After the merger, with 550 locations and several franchisee fast food operations, including Subway, Arby's, McDonalds, and Taco Bell, the new Pilot Flying J knew it needed to figure out what would work and what wouldn't quickly—management needed to protect sales in the face of one of the nation's worst recessions.

The company turned to performance improvement consultancy QualPro to help it increase the profitability of its operations. Founded by Dr. Charles Holland, a former quality division manager for the National Nuclear Weapons Complex in Oak Ridge, Tenn., QualPro was developed around the use of a testing methodology called the MVT (Multivariable Testing) Process, which allows researchers to structure experiments that test dozens of variables at one time. QualPro consultants can then analyze the data to determine the impact of each test strategy and combination of strategies, an efficient way to make decisions based on data rather than opinions.

Retail, with multiple store layouts, elaborate merchandising, and sophisticated marketing, lends itself to the MVT Process' applicability in complex environments and approach, which examines numerous improvement strategies.

QualPro's ability to identify solutions for an exceedingly complex business was paramount to Pilot Flying J, which wanted to test not only its display and stocking of retail merchandise in 12 store formats, but also its offerings in the beverage, deli, and multiple brand fast food segments; signage; promotions; and bundling of different product lines.

Quick Chek, a leading convenience store chain based in New Jersey with 2,600 employees, has also adopted the use of the MVT Process to grow its sales and margins.



John Schaninger, vice president for sales and marketing, said, "It is incredibly valuable to be able to test 15 practical, cost-free improvement ideas at the same time."

QualPro's consultants are number guys focused on practicality: they encourage their clients to generate dozens, even hundreds, of ideas for testing and then to whittle the list down to those ideas that are the most practical, usually cost neutral, and easy to implement.

For Pilot Flying J, these included promotional pins on staff members offering discounts on sandwiches, for example, or Happy Hour beverage discounts announcements to gasoline customers, as well reconfiguring stores or merchandise mix. Thanks in significant part to its work with QualPro, Pilot Flying J not only protected sales, it grew profit by 8% last year according to the company, which is privately held. Here are some key points on how to use the MVT Process effectively:

Question what you've always done

"We did our work intuitively. We had a sense of how customers would react to our strategies, but we never knew exactly what actions were the most important," said Edward Carroll, former executive vice president for sales promotion and marketing (Northern Division) of Saks, Inc., now an independent retailing consultant.

At his division, Carroll and the QualPro team tested 32 factors, such as the use of mannequins in displays, cosmetic demonstrations, and changes in advertising. Almost half of them had no impact, but some of those that had no positive impact on sales were valuable for other reasons, such as reducing cost or simplifying operations.

Carroll said lower level employees were thrilled to be able to focus on what actually worked for customers rather than doing things just because someone above them told them to. The changes made based on the test results increased comparable store sales by 2.5% on sales of \$2.3 billion.

Involve everyone for ideas and implementation

Everyone has good ideas, from the part-time cashier to the CEO. Including many in the idea generation creates a great deal of enthusiasm for implementing the ideas that work. Getting all the stores to execute the test as designed is essential. The tests are very precise, and the changes happen fast. “Over communicate,” recommended Ken Parent, SVP of operations for Pilot Flying J.

Let the data drive you

“We thought for sure some of the stuff we were doing was working, but it had no effect, or worse, a bad effect,” said Parent. In the Pilot Flying J stores, merchandise and total SKUs were lowered, but sales increased – a counterintuitive move to many retailers.

The store layout that tested best was not the one most managers expected. In one of the tests done for Quick Chek, six unrelated items boosted sales in combination but not in isolation. “That’s just the recipe,” said Schaninger. He implemented the results immediately.

Rita Koselka is a freelance writer based in San Francisco. She previously served as a senior editor at Forbes. To learn more about the MVT Process and how other retailers and Fortune 500 companies have implemented it, please visit www.qualproinc.com.