

## Six Sigma in Retail

According with Pareto's Rule (80/20) in retail is not wrong to say that 80% of sales come from 20% of your inventory. Starting from this principle we can think about how to apply continuous improvement in retail sales. Can be used also Six Sigma methodology.

Six Sigma is a data driven process improvement methodology based on **DMAIC** cycle (Define – Measure– Analyze – Improve – Control). Using specific Six Sigma tools we can solve problems such as increasing customer satisfaction, increase sales volume, profit growth or inventory optimization.

Here is an example of successfully project using Six Sigma used to improve activity in retail. Project name is “Cash-flow Optimization”.

In **Define**, process flow was studied (process map), were checked historical data, it was established team who will work to this project.



The key indicator which give the performance of the process was choose “Cash flow” noted with Cf.

In **Measure** phase were collected data regarding sales volume for each cost center, by day, assortment, volume of stocks at different times and in different warehouses, etc.

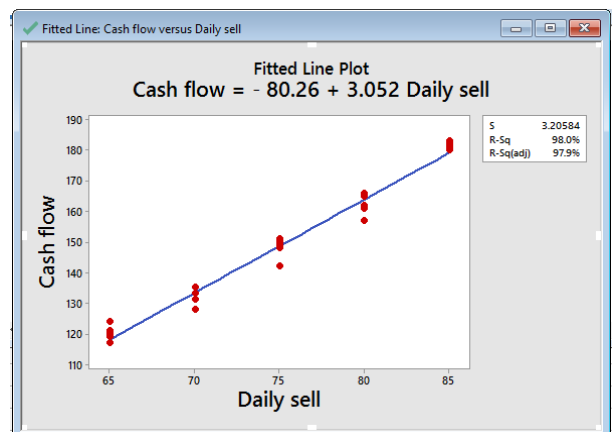
Identification of factors which influence cash flow was done by Brainstorming.

Cash flow was influenced extremely by the volume of stocks (inventory) but also by daily sales volume.

Using hypothesis testing were demonstrated these possible influences in Analyze. Regression was used (see picture below).

It proceeds to identify solutions that implemented would eliminate or diminish the negative effects for which it was made the project (Improvement phase).

Were used the following tools: Brainstorming, Poka Yoke. To choose the most efficient or the fastest solutions we use Prioritization Matrix.



It was set a minimum and maximum stock level and in the computer system SAP was designed an automatic warning when the limits are reached. In **Control** procedure of inventory monitorization was modified.

After implementation was observed an increase in the Backdrops money circulation and an increase of cash flow by 27%.

We invite you to Six Sigma courses organized by Effective Flux to reap the benefits of this methodology.