The Newsletter of In-Store and Internet Marketing & Business

In-Store™

July 2006
Volume 15, Issue 7

Ogden Associates, Inc. 28 Wetmore Ave, Morristown, NJ 07960- Copyright 2006 Ogden Associates, Inc.
www.ogdenconsultants.com jrobertson@ogdenconsultants.com 973-292-1006

Jon Robertson,
Managing Director,
Ogden RSC

Inside This Issue

GEMCON 2006

GEMCON is just two and a half months away (October 9-11 in Park City)! Reflecting the industry's move toward "customer centricity," this year's program will emphasize the latest technology, the newest research findings, and best practice approaches for leveraging customer insight and touch points across the entire company to enhance the customer experience and increase sales, profits, and shareholder value. New speakers, as well as GEMCON veterans, will be joining us, including Marv Imus of **Paw Paw**; several additional **great retailers**, including an all-retailer panel hosted by Tim Anglum, **former CRM head at Best Buy;** Leonard Nuara, Technology & Intellectual Property Chair, **Thacher Proffitt**; Brian Zeug, Category Development Officer-CPG, **Yahoo!**; a panel of Brand Managers, including Dale Brooks of **J&J Merck** with Michael Schiff of Partners in Loyalty Marketing (**PILM**); and Dustin Robertson of the highly successful Internet retailer **Backcountry.com**. Additional companies assisting in various ways to make GEMCON 2006 a great success include **AC Nielsen's TDLinx Division; Teradata, a Division of NCR; Catalina; Pay By Touch; MobileLime; Scan Aps; CPGMatters.com; thewisemarketer.com; *Supermarket News*; Webstop.com, Grocery Manufacturers of America (GMA), and Oxford Retail Institute.** You may register online at www.ogdenconsultants.com. For those of you who arrive on Monday, October 9, you can enjoy a store tour in downtown Park City and High Tea, or a golf outing. We're looking forward to seeing you at this year's show!

Three Easy Ways to Register for GEMCON 2006

1. Register online at www.ogdenconsultants.com
2. Download the registration form from the site and FAX it to 973-539-6347
3. Call 203-395-4339

Please let me know if you have any questions about GEMCON – registrations, venue, program, exhibiting, sponsoring, etc.

CARLENE'S CORNER

Dear Readers,

In the April issue of *In-Store* I wrote about a company called Intellimar Solutions that talked about Social Media Marketing, defined as **"the Convergence of Social Media Technology and Traditional Relationship Marketing."**

"The different media they propose are on the Internet, of course, but in places where people use the Internet to keep in touch with or meet friends, research products and stay informed….. Businesses need to be where consumers go to be in touch; at their social connection points (blog lines, social networks, communities, etc.). Through these connection points, they need to provide access to relevant content to capture consumer interest so they can be ***invited into*** the consumers' community. Once invited and the consumer broadens their community to include you, then traditional direct marketing can begin to have more impact…"

It sounded interesting, but I still was never really clear exactly what the company did. Then my 15-year-old future-film-director-nephew, Keith, visited and created a movie right here in our home. I was in it – my first venture into stardom. When it was done, I watched in fascination as he attached his High8 video camera to my computer and downloaded the film onto MySpace. *"What exactly is MySpace?" I asked him. Not having children of my own has the disadvantage of being ignorant of so many new technologies.*

Keith answered, "Myspace is a website that you can use to make your own web pages to say whatever you want, pretty much. You can make blogs, which anyone can answer to; you can put movies on there; you can put games on there; you can chat with people on them. It's pretty much just a small website." *Hmm, I responded. Did you ever see advertisements on MySpace?* "Yeah, Keith responded." You bet he does! Communities like MySpace are proliferating, giving advertisers new potential points of connection with customers, and making way for the latest high-tech boom.

The cover story in *Newsweek,* April 3, 2006, by Steven Levy and Brad Stone, defined MySpace as:: "….the prime hangout for 65 million (mostly young) people, and thousands of rock bands, movie stars and marketers begging for their attention. Canadian-born Flickr, by building a 2.5 million-member community solely around a passion for sharing photos, has become a poster child on how a well-executed Net effort can make big changes in people's habits….. The web has finally matured to the point where it can fulfill some of the outlandish promises that we heard in the '90s. **The generic term for this movement,** especially among the hundreds of new companies jamming the waiting rooms of venture-capital offices, **is Web 2.0**."

Could we be getting closer to the outlandish-seeming predictions I myself made in the '90s about shopping while virtually riding my Harley in France or scuba-diving for groceries in Cozumel? Who knows? And big business it is! Rupert Murdoch has already purchased MySpace (for $580 million) and Yahoo! bought Flickr (come hear Yahoo! at GEMCON!). Intellimar Solutions just developed another new community site called www.iklipz.com .

The *Newsweek* article also included a paragraph on the latest Internet technology. I'm reproducing this, in its entirety, on the following page because it explains succinctly some of the concepts and vocabulary in play now. We'll also hear more about all this at GEMCON 2006 thanks to Dustin Robertson of Backcountry.com, and his contemporaries, who are *so not* from the "arthritic population" (see below)

Continued on page 3

CARLENE'S CORNER - continued

'**It's all one Web.** The most effective sites on the Living Web have **porous boundaries** and are happy to act in concert with other sites, even competing ones. This process is greased by an explosion of cheap geeky software tools known as **the Web's "connective tissue."** Though they sport exotic acronyms and obscure code names, what they do is clearly valuable….. **RSS** (Note from Carlene: not to be confused with Reduced Space Symbology bar codes) lets you 'subscribe' to targeted information from a Web service in the way you subscribe to magazines. (And no **blow-in cards**.) **'Opening your APIs'** means you're allowing other services to integrate information from your database into their sites. The purest expression of this free-for-all attitude is the wonderful **mash-ups,** where clever hackers take live information streams from two or more sites and blend them together for illumination or sometimes just for a laugh. An example is the mash-up that displayed vacant apartments offered on Craigslist on a local Google map."

The article went on to say something that hurt. "**(The Internet) is the main news source for the non-arthritic population**…" Ouch! Is that what we've become to younger people? "**The arthritic population?!?!?**?"

I did, however, feel a little better after reading the June issue of IRI's *Times and Trends* that's talkin' 'bout our generation: "The consumer segment aged 55+ is **massive, powerful and growing**. Representing one-third of the U.S. adult population and growing in number by 30 percent over the next decade, consumers aged 55+ represent one of the most powerful consumer segments in history." So, whatever happens related to how we personally use new technology, we've got the numbers and we've got the dollars! But as marketers, we had better understand the live Web and watch carefully as it moves on speedily to its next level: "Web 3.0?"

FREE GAS
Gasoline promotions

We have reported in the past about the success, the press coverage and the growth of gas programs in grocery retail. Betsy and Carlene covered this subject in the August '05 issue of *In-Store.* I wanted to take a quick look at the growth and implementation of some new and ongoing gas promotion programs.

Gas promotion programs are a natural. Many adherents feel they promise to offer the same glue to grocery retailers that frequent flier programs provided to airlines companies years ago. The payoff for the airlines has been a measure of real loyalty in the form of repeat business, driven not by discounts (the drug of retailing) but by lifestyle-relevant advantages and conveniences.

In our world, what consumer could drive past the sign "FREE GAS" without pausing to reflect. Many retailers (see some examples on the next page) are finding that gas promotions are a win-win for their companies and their customers.

Continued on page 4

Gasoline promotions –continued

Let's take a look at a few examples of gas promotion programs being implemented by some top retailers across the country.

Ahold - Stop & Shop

The Summer Savings program from Stop & Shop enables consumers to earn valuable money-saving coupons good towards future gas purchases. Each time shoppers accumulate $100 in spending inside Stop & Shop between Memorial Day and Labor Day, they can receive a valuable cents-off per gallon coupon at check-out. If the consumers use their Stop & Shop card at the pump they earn an additional savings on top of this.

Ahold – Giant PA.

Giant's customers can use their Bonuscard when they purchase groceries at participating Giant stores. Every $100 in grocery purchases earns customers a $0.10 cent per gallon gas discount. There's no limit to the GAS Extra Rewards customers can earn. When they have earned 100 points or more, they can redeem them at any time during the program. Or they can choose to let their GAS Extra Rewards Points continue to grow or, if they wish, earn enough points to receive free gas.

Giant Eagle's Fuelperks

As reported last year by Betsy Tucker, competitors were less than pleased by Giant Eagle's Fuelperks program. In the spring of '05, the Petroleum Retailers and Auto Repair Association of Pittsburgh charged that Giant Eagle's discounts violate state law prohibiting retailers from selling goods at or below cost.

Pennsylvania's Attorney General saw things differently. The filing was dismissed with the Attorney General's office recommending a repeal of the 1941 Act cited by the Petroleum Dealers in filing their complaint.

Giant Eagle has continued their program and has added the use of Target Expert from VRMS

Ingles

Ingles has a unique revenue-generating program that has customers buying and using gift cards to qualify for the savings. Consumers purchase an **Ingles Gift & Shopping Card** at any Ingles store, use it to buy gas at any Ingles Gas Express, and **save $0.03 per gallon**. Ingles Gift Cards are reusable, and you can add credit to them any time you are shopping at an Ingles store.

Continued on page 5

Kroger

The Kroger program varies across markets. Following is an example of the program in Ohio. When you buy $100 worth of groceries at selected Kroger stores during a one-month period, the customer will earn $0.15 off per gallon on a single Kroger Fuel fill-up. The rewards are immediate when you reach the required $100 total. The customer scans the bar code on a 1-2-3 REWARDS™ MasterCard® at the Kroger Fuel Center pump to receive the $0.15 per gallon savings. (No coupon or certificate is needed)

For customers using their loyalty cards, Kroger offers the following. For every $100 you spend in grocery purchases with your Kroger Plus Card, you can save $0.10 per gallon off any grade fuel on your next fill up.

Food City

Food City is testing what looks to be a winning program at their Gas'N Go locations. For each $25 consumers spend in a single transaction, they receive a Fuel Buck good for $1 off the next trip to Gas'N Go. Food City's program also features a Fuel Buck for each $10 spent on private label items.

Safeway

Save on gas at Safeway with Club Card! The Seattle Division of Safeway Inc. has launched a fuel promotion that offers customers the opportunity to receive 10 cents off per gallon of gasoline automatically at any Safeway Fuel Station when they spend $50 on Safeway purchases through June 27, 2006, using their Safeway Club Card.

A total of eight discounts can be banked on a club card. Throughout the promotion, when a customer spends $50, any banked six-cent discounts will convert to a 10-cent discount. All 10-cent discounts must be redeemed by June 27 when the promotion ends. Any unused discounts that are banked on the club card will revert back to a six-cent discount when the customer makes the next purchase of $50 or more. "At a time when fuel prices are skyrocketing, every penny counts when filling up the tank," said Cherie Myers, director of public and government affairs for Safeway's Seattle Division. "In the first few days of the promotion, our customers have responded unanimously by lining up to fill their tanks."

Shop N Save

Shop 'n Save has been improving its loyalty programs and recruiting regional food names to help differentiate the products in its stores. The regional operation has also been watching parent company SuperValu test fuel stations in other markets where it operates stores under names such as Bigg's and Cub Foods.

"Thanks to record highs in fuel prices, there has been a recent increase in interest for discounted fuel but the trend of gas stations in food retailers parking lots began in the late 1990s with Kroger and Wal-Mart. A report on supermarket trends by the Food Marketing Institute found that more than a quarter of grocery retailers now offer fuel service." (Source: ThePittsburghChannel.com)

Continued on page 6

We can see from the above that a number of major retailers are implementing or testing gas promotion programs. Our quick survey also shows, however, that many retailers are still to take steps to drive volume and profits with gas promotions. Because of the win-win for consumers and retailers, we predict that more and more retailers will be incorporating gas promotions into their loyalty and CRM initiatives.

We also expect that programs will start to adopt a longer-term, bigger-ticket aspect. Interestingly, many of the existing programs track discounts against a limited volume of transactions (*i.e.,* spend $100 and get $0.15 discount on a single fill-up). Thinking again about the airline example, retailers could think about longer terms of loyalty for greater value (*e.g.*, spend $1,500 and get a FREE FILL-UP, or about 20 gallons at the same discount ratio), taking the cue from a typical airline promotion (*e.g.,* fly 40,000 miles and get a free ticket).

Gas promotions by grocery retailers afford a great example of collaborative marketing efforts between non competing companies that address the same target customers. In upcoming issues of *In-Store*, we'll aim to keep you in touch with some of the key vendors that can help retailers take advantage of this opportunity. Following is one example, per a recent press release from National Payment Card.

National Payment Card

Consumers See 3 Cents per Gallon Roll Back at the Pump

National Payment Card, LLC. has launched the first ACH payment card for the gas industry at the Zarco 66 gas station in Olathe, Kansas. This provides a way for consumers to pay less for gasoline through an immediate cash reward, while the station operators substantially lower their processing costs compared with the current charges of credit and debit card interchange and processing fees.

The National Payment Card system settles the transaction as an electronic funds transfer through the Automated Clearing House (ACH) network, thereby saving 48% per transaction for credit cards, 22% per transaction for check cards and 13% for PIN debit cards after the 3 cents per gallon price roll back at the pump.

The installation at Zarco 66 offers a full-featured system that works with a store's existing POS and pump technology.

"We expect this program to give us an instant competitive advantage with today's high cost of gasoline. We prefer to pass rewards on to consumers rather than paying credit card companies merchant fees. This is a WIN/WIN program whereby the consumer and the merchant get rewarded by using this alternative form of payment. Users of our ACH payment card will automatically save every time they fill up, while our business will grow even stronger," said Scott Zaremba owner of Zarco 66.

Additional information is available at **www.nationalpaymentcard.com.**

Trend Focus: Going Green

By Pamela Massenburg
Customer-Inspired Merchandising Chair and Trend-Watcher

Let me guess what you're thinking: "Going Green. That's not 'news' any more!" That's exactly the point! "Going Green" is going mainstream!

Continued on page 7

Going Green is the buzz trend du jour. The environment is covered relentlessly by the press. It's one of the UN's top global concerns. It was the key driver when BP retooled its brand. Impressively, and most relevantly to our own interests here, Wal-Mart has jumped into the "green water" with both of their giant feet.

Going Green is no longer a fringe movement and if you don't have programs in place that speak loudly to cleaning up and improving the environment, it's time to lace up your green running shoes and catch up with the world. If you do have initiatives in place, you undoubtedly realize that sustainability presents numerous opportunities to don a green halo while deepening ties to your customers, and ringing up sales. Everyone wins today…*and* tomorrow.

What are other retailers doing? For starters, Wal-Mart has earmarked $500 million a year to reduce greenhouse gases, build more energy-efficient stores, and reduce packaging waste, in addition to other programs. What's more, they're taking the environment to a *personal* level. According to a June 22, 2006 article in the *New York Times,* Wal-Mart has instituted a program, tentatively called the Environmental Health and Wellness program, to "teach their 1.3 million employees in the United States how to take better care of themselves and the environment in an effort to turn the work force — the nation's largest — into a model for its customers on issues like energy consumption and nutrition. The Program will emphasize practical advice, like replacing traditional 60-watt light bulbs with energy-efficient bulbs that use 13 watts; Wal-Mart stores already carry those bulbs."

As Consumers are becoming increasingly responsive to "green" concerns, retailers are in a powerful position to influence the trend's effectiveness for generations to come. Many retailers have already joined the EPA's Green Power Partnership, www.epa.gov/grnpower/. As members of the partnership, these retailers are recognized "for helping drive the development of new renewable energy sources for electricity generation…these Partners provide an example to their peers, customers, and community."

Following is a list of the Top 10 Retail Partners in the Green Power Partnership. "These Partners have the largest completed annual green power purchases of all Partners within this sector. Their purchases are helping to drive the development of new renewable energy sources. Combined, these leaders' purchases amount to almost 878,000 megawatt-hours (MWh) annually, which is equivalent to the power required by more than 82,000 homes every year."

1. Whole Foods Market
2. Starbucks
3. Safeway Inc.
4. Staples
5. FedEx Kinko's
6. HEB Grocery Company
7. Liz Claiborne, Inc.
8. prAna
9. Lowe's Home Centers
10. Shaw's Supermarkets

Participating in the Green Power Partnership clearly states to your investors, employees and customers that you are an environmental leader. This is one route some retailers have chosen. What's your "Green Strategy?"

Back Page by Janet Murphy

Out with Jack's Playbook? Not So Fast!

The novelist F.Scott Fitzgerald said that the test of a first-rate intelligence is the ability to hold two "opposed" ideas in the mind at the same time. Hmmm….What would Fitzgerald think about *Fortune Magazine's* July cover story on GE's legendary former CEO Jack Welch?

In her controversial and completely misguided article, Betsy Morris presents her rendition of Jack Welch's rules for winning, and contrasts these with new rules that ostensibly (unlike Jack Welch's tired old ones) actually work.

With Albertson's much-publicized espousal of Six Sigma, and with other retailers (from Federated Stores to Staples, Williams-Sonoma, and Lowe's, among others) using Six Sigma or Six Sigma-like methodologies, I thought I would put my own Six Sigma and CRM background to work to help sort out some lessons for our readers.

A Paper Tiger, a Blame Game, and a Bucket of Cold Water

Fortune's article embeds two fundamental misconceptions. Furthermore, it attempts to throw cold water on a set of methodologies, tools and techniques that can provide the missing link for retailers who are struggling today to leverage customer insight and enhance the customer experience while building shareholder value.

First, Betsy Morris' "old rules" are a paper tiger. No reasonable business person today, including and perhaps even *especially* Jack Welch, would espouse these so-called "old rules" at the expense of the "new rules."

Secondly, Morris misrepresents what Six Sigma is about. This isn't hard to do, actually, since the term is used in many different senses, even by Six Sigma practitioners. The senses range from a literal one (where Six Sigma is a measure of process quality); to an umbrella term for several different world class quality improvement methodologies, tools, and techniques; and even to an all-embracing perspective on how best to reach a company's objectives.

In all these senses, Six Sigma is an *enabler,* and what it delivers, or helps to deliver, is entirely dependent upon management's objectives and wherewithal. In the hands of an innovative manager, for example, it can help to enable innovation, though it can never create it. Faulting a quality improvement methodology for curbing innovation, as the *Fortune* article does, is like blaming a POS system for not developing relationships with customers.

Quality Improvement and Retail

It has been well documented by many research studies, including the NRF/Ogden *Customer Centricity Study*, that retailers' CRM initiatives have flagged because of a lag in process and organizational improvement; the persistence of information silos; the difficulty of orchestrating companywide focus on customer objectives; the failure to tie CRM initiatives to tangible and meaningful measures of departmental and total-company performance; the challenge of executing initiatives consistently across far-flung organizations; and the absence of a framework to both improve the customer experience and contain costs.

These are all issues classic to the discipline of quality improvement. World class quality improvement methodologies, tools and techniques (whether they carry the label of "Six Sigma" or not) can provide a framework for attacking process improvement in an incremental, results-driven way; statistical analysis techniques to help retailers leverage vast reserves of transaction and other data; integrated customer metrics to drive the organization to tangible measures of customer delight, etc.

Fortune's article attempts to throw water, not only on Jack Welch, but on world class quality improvement methodologies, which are a set of enablers that can hugely advantage retailers today, *especially* innovative ones. I'm writing this to try to set the record straight.

Let's take a closer look.

Fortune's New vs. Old Rules

Here's an excerpt from the *Fortune* article:

"Once upon a time, there was a route to success that corporate America agreed on. But in today's fast-changing landscape, that old formula is getting tired.

	New Rules	vs.	Old Rules
1	Agile is best; being big can bite you.		Big dogs own the street.
2	Find a niche, create something new.		Be No. 1 or No. 2 in your market.
3	The customer is king.		Shareholders rule.
4	Look out, not in.		Be lean and mean.
5	Hire passionate people.		Rank your players; go with the A's.
6	Hire a courageous CEO.		Hire a charismatic CEO.
7	Admire my soul.		Admire my might."

Shareholders Can't Rule when the Customer is King (and Other False Dichotomies)

Let's stand back for a moment and take a slightly broader view. If we don't take business rules quite so literally (what mature business person that you know actually *would*?), there's no inconsistency at all between *Fortune's* old and the new rules. They're all harmonious, mutually complementary components of sound, balanced, enlightened management thinking.

The only ones that gave me pause at first are the last ("admire my soul, vs. admire my might"). It's just that I've personally never heard anyone in business use either phrase - insightful as each is, after a bit of reflection - ever.

With its bold exhortation to "tear up the Jack Welch playbook," Betsy Morris' article grabbed headlines, for sure, but let's be *real*.

1. ***Big*** dogs that actually win: aren't they necessarily ***agile as well***?
2. Since when shouldn't companies aim to be *tops in their market* (or *niche*)…***and create something new as well***?
3. What sane ***shareholder value***-minded executive would fail to put a premium on ***customer satisfaction***?
4. What's better than ***looking out*** (to stay up with the market, technology, the environment, and the mind of the consumer) while also ***looking in*** (to streamline processes and control costs so you don't break the bank in the meantime)?
5. The ***"A" people*** you want to hire: can't they - in fact *needn't* they be - ***passionate as well***?
6. The great, ***charismatic CEO*** who inspires others to embrace a vision of excellence and advantage in a fierce, buyer-driven marketplace: isn't he or she also, at least at some important level, ***courageous at the same time***?
7. By listening and responding to the voice of all customers (external customers and internal ones such as shareholders, employees, business partners), can't companies balance the positives values associated with ***both soul and might***?

Reference #7 above, though I've never heard the terminology "admire my soul, admire my might" in the business world, I do think Morris' thought is incredibly stimulating, though perhaps not in exactly the way she intended. How fascinating that the concept of a conflict between soul and might should surface in this way in *Fortune* (a magazine little known for philosophical bent), however questionable the basis for its appearance!

The Best Companies Aren't Dumping the Old Rules

Jack Welch is arguably the most successful CEO in the history of business based on what most analysts would cite as hard evidence (measurable indicators, like growth in sales, profitability, and shareholder value). So it really takes guts to take on Jack Welch concerning what actually works. That aside, and even acknowledging (as Morris doesn't) that the business spirit and vocabulary of 2006 are clearly and obviously different from the 80s and 90s, the old rules and the new rules are just two sides of the same coin.

As we all know, when we think about it, business success is about *balance,* not dichotomy. In reality, the best companies (notably here, Jack Welch's GE, as well as many of the great companies among our readership) do indeed balance bigness and agility, shareholder value and customer satisfaction, "A" people and passion, and more.

Whatever *Fortune Magazine's* motivations with this article (and whether or not their decision had anything to do with the fact that Jack Welch is writing a successful business column these days for *Fortune's* competitor *Business Week*), the article does little to advance the discourse on how companies can achieve differentiation and advantage in the marketplace today. What is worse, however, is that it suggests, ridiculously, that companies are abandoning goals, as important today as ever, concerning organizational improvement, shareholder value, etc.

To Say that Six Sigma Curbs Innovation is to Forget that Six Sigma is an ***Enabler***. *It doesn't set the Company's Vision, nor the Value Proposition to the Marketplace*

In addition to suggesting "new rules" that are merely another facet and complement to the "old rules," *Fortune's* Betsy Morris heaps confusion and inaccuracy on top of already widespread misunderstanding of quality improvement methodologies like Six Sigma. "Six Sigma" can be thought of as a compendium of insight on how to improve (however you define "improvement") that embeds practical insight and wisdom accumulated from time immemorial, at least as far back as the road- and aqueduct-builders of ancient Rome.

In quality improvement circles, the term is also used more narrowly as a measure of process quality that equates to 3.4 defects per million which is in turn, according to statisticians, about as close to perfection as you can get. It's important to note, though, that in a very real sense, the exact definition is very much beside the point.

At all its different levels of definition, what makes Six Sigma powerful and exciting to its practitioners (notable among them, Jack Welch) is its common-sense principles about *enablement.* These principles include validating (or invalidating) intuitive and creative ideas through *the facts*; listening intently and responding exceptionally well and consistently to your customer; treating everyone in the sphere of your company as a treasured customer – whether they be end-customers, or internal customers such as shareholders, employees, business partners; and more. It's all about *enabling* the inspiring vision for exceptional, breakthrough connection with the marketplace. It's *not* about *creating* it.

The Big Idea: Go for What's Right for Your Customers (Shareholders Included)

Morris, in another of the article's strikingly false dichotomies, sets up internally-focused process improvement and cost reduction methods on one side, and innovation on the other, as opposing or conflicting values. She goes further and suggests as well that today's savvy companies look *out* (presumably to improve effectiveness in keeping up with trends and demand) rather than *in* (to improve efficiencies).

All well and good if the cost to achieve customer delight doesn't matter! You and I, as well as Jack Welch and every other thinking business person we know, realize that truly successful companies in every arena have reached a *balance* between looking out and looking in, and have thereby avoided the pitfalls of excessive, innovation-sapping process improvement and cost controls on the one hand, and alchemistic stabs at innovation on the other.

Williams-Sonoma, Lowe's, Staples, Home Depot, Federated and Other Leading Retailers Use Six Sigma-Like Methods and Techniques

One component of Six Sigma's arsenal, multiple variable testing (also sometimes called "Design of Experiments"), was adopted and adapted years ago by a company called QualPro, and QualPro has built an apparently successful business largely around a single, powerful quality improvement technique. Successful retailers such as Williams-Sonoma, Lowe's, and Staples have used QualPro's "Multi-Variable Testing" (MVT).

In essence, MVT allows you to reduce an otherwise impractically large number of test cases to just a few, without significantly damaging the predictive power of your testing. For example, if you're sending a particular marketing piece, with numerous different options for content and distribution, and you wish to zero in on the most effective piece for a given target market, Six Sigma's multiple variable testing (or

QualPro's MVT) can dramatically reduce the number of test runs you need to do in order to identify the most effective approach. This can dramatically reduce your testing cost and time, and ultimately improve your agility (even if you're big, by the way!).

Multiple variable testing is one technique, amidst scores of techniques *within* the domain of Six Sigma. Yet Morris describes QualPro's excellent application of it (if not completely inaccurately, at least inadequately) as a "competing quality improvement process" to Six Sigma.

Through Multiple Variable Testing and Other Techniques, Six Sigma is Not Only Consistent with Innovation; It Can Also Actually Help Enable a Culture of Innovation

Morris also cites a representative of QualPro as contending that Six Sigma allows "little room for new ideas or an entirely different approach." This is particularly ironic. The whole idea of multiple variable testing within Six Sigma, and by extension one of the key selling points for QualPro, is to *inspire a culture of innovation* by readily validating (or invalidating) creative and intuitive ideas that arise anywhere in the organization through ongoing tests and continuous reference to "what the data says." This is the kind of balance between control and innovation that makes QualPro's MVT a good technique. But it's exactly this same balance between control and innovation that makes QualPro's foundation (Six Sigma principles) so powerful, when implemented well, as they unarguably were at Jack Welch's GE.

Out with the Isms…and the anti-Ism Isms

I think many of us today are wary of "isms," the force-fitting of methodologies, and labels and banners of all sorts, where lines are drawn too rigidly, and rules are understood or imposed too literally. Obviously, no methodology, including Six Sigma, is a magic bullet. All quality improvement methodologies are enablers, not vision-makers, and, in spite of their inevitably *inward* look, they're sometimes all the more powerful in the hands of an innovator.

What is even less illuminating than "isms" is ism-*bashing*, where a second ism, methodology, label, banner, or rule, often equally over-reaching and unbalanced, is sent in to stand for the initial, old one. This is precisely what *Fortune* has done with its new vs. old rules. This advances nothing and, to the extent that it obfuscates already complex issues, and dissuades companies from investigating powerful new ways to enable innovation, it can actually be very damaging.

In with Balance and Common Sense

Fortune Magazine shouldn't have bothered to postulate new vs. old rules, and put forth utterly meaningless dichotomies between customer satisfaction and shareholder value, looking in and looking out, world class quality methodologies and innovation, "A" people and passion, etc. More fitting and helpful would be a call for more innovative leaders to explore how world class quality improvement methodologies can enable companies' struggle to win by delivering well to customer needs, expectations, and desires. It's not as dramatic as throwing out a tired old "playbook." But it makes a lot more sense.

Janet Murphy

IN-STORE Newsletter can be ordered for $295 for twelve monthly issues by contacting: Ogden RSC, 28 Wetmore Avenue, Morristown, NJ 07960 – call 203-395-4339 or Email: **jrobertson@ogdenconsultants.com**
PLEASE VISIT OUR WEB SITE AT: **www.ogdenconsultants.com**