

Test and Learn Best Practices by Louis Carter

“Test and Learn” is a term given to business practices aimed at accelerating performance. It assumes that learning is largely a heuristic behavior of trial and error. It’s a pragmatic learning experience in which people are satisfied with “good enough” solutions that could be optimal if pursued.

Test and Learn uses similar experiences to solve problems. Hitting a wall, the testing path moves to the right or left until it can move forward, learning as it goes. In business, Test and Learn frames strategies that accelerate the learning by running tests, building data, and analyzing the history for predictive solutions.

Wawa, Pier 1, and Walgreens are at least three highly ranked and respected businesses that find profit in Test and Learn performance.

Test and Learn at Wawa – APT Market Basket Analyzer

Wawa is a hugely popular chain of convenience stores and gas stations across Central Atlantic States and now Florida. With \$8.9-billion in revenue, Wawa is ranked #36 among *Forbes* Largest Privately-Owned Companies and #123 among America's Best Employers.

Wawa stores have served customers since 1964, the evolution of a family business going back to 1803. It supports 22,000 associates across 645 stores from its headquarters in Wawa, PA.

Together, they seek to run a business “Fulfilling Lives, Every Day™.” Management and associates pursue continuous partnership with suppliers to do things right, and to do the right thing to customers, community, and planet.

To make it happen, Wawa created an Advisory Council of experts and thought leaders to develop principles, policies, and procedures on food safety and technology, animal welfare and sustainability, and employee health and wellness.

APT Market Basket Analyzer™

But, everyone at Wawa works in a continually changing dynamic. Every day they face complex and diverse problems, from customer issues to supply chain failures. Successful decisions are a function of failed ones. With enough practice, they can construct predictive analytics to speed the introduction of value-added activities, dump those that don't work, and improve those that promise profitability.

To serve its bottom-line interests and employee advancement potential, Wawa contracted with APT to provide its **Market Basket Analyzer™** to achieve specific performance purposes:

- **Evaluates** SKU and GMROI on sales as they scanned. It helps managers determine customer readiness to move to a competing product with a better margin.
- **Identifies** those products found in high-margin baskets carried by high-valued customers. Market Basket Analyzer integrates with APT Test & Learn™ to analyze past product promotions to recognize the effective sales and pull the unsuccessful ones.
- **Structures** price-based promotions without guessing. It analyzes transactional data to identify the GMROI of any product promotion before it is run.
- **Analyzes** the other products in the same basket as the new product. This lets Wawa management adjust marketing strategies and managers modify displays to capitalize on the favored new product.

Understanding that failure can be a good thing, test and learn strategies benefit from testing broad and deep data for success and failure in real time.

Test and Learn at Pier 1 Imports - Neustar^o

Forbes lists Pier 1 Imports at #193 on its list of America's Best Employers. It sells imports from 50 countries in home furnishings, home décor, and gifts. It manages 950 stores in the United States, 80 in Canada, and an internet retail site.

Headquartered in Fort Worth, TX, Pier 1 is publicly traded, but it has had a rocky history on the market. The company, dependent on the housing market, lost \$300+ million during the recession that followed the bursting of the mortgage boom.

Alex Smith, credited with turning Pier 1 around since his 2007 appointment, resigned effective December 31, 2016 following the first significant decline in sales. The search for a replacement continues.

You are also looking at a major retailer in a climate that sees Macy's, Sears, and K-Mart making a significant number of store closures. How this recent history affects Pier 1's rankings remains to be seen.

But, while Smith made some draconian cuts to Pier 1's organization, his changes effectively improved their profile. After all, he cut product lines, dropped the catalog and online store, and laid off 2,000 employees.

He cut occupancy fees, slashed overhead by 35%, moved competitors into top management positions, and increased the ratio of part-time workers 4:1 over full-time staff. He sold the headquarters building and used new cash to buy up Pier 1 debt. It's these moves that caught *Forbes* attention.

Omnichannel strategies

Alex Smith also committed Pier 1 to omnichannel approaches to marketing, order management, and customer service. Despite the layoffs, he did hire employees accountable as allocators, buyers, and planners to rediscover and define a product line mix that appealed to customers and evolved with changes in taste.

In June, 2016, they announced a commitment to Neustar^o and its **MarketShare DecisionCloud** to measure the impact of marketing costs on consumer decisions. According to Pier 1's EVP Marketing Eric Hunter, "It is imperative for us to reach our customers in the right place at the right time with the right message."

The data-driven decisions on products, presentation, and pricing improves store performance, and that improves the position of store managers and employees. Among other things, it is likely to reduce customer complaints, it helps managers and staff appreciate customer trends, and it feeds media channels with product news and creates customer attraction.

Pier 1's investment in this Test and Learn technology makes retail staff and customers proactive influencers in marketing decisions. It performs reliable real-time predictive analytics that help all retail functions optimize and/or reconfigure strategies.

Test and Learn at Walgreens – Next-generation IT

Walgreens (the pharmacy/retail arm of Walgreens Boots Alliance, Inc.) is not your grandmother's pharmacy. It is a multi-line retail store with a pharmacy at its heart. Through tumultuous economic years and fundamental shifts in the medical and pharmacy insurance business, Walgreens has gathered its share of recognition.

- *Best Places to Work for LGBT employees* (2017)
- 100% Human Rights Campaign's *Corporate Equality Index* (2017)
- #5 of *Fortune World's Most Admired Companies* (food and drugstores) (2015)
- #35 in *Fortune 500 Largest U.S.-Based Companies* (2015)
- #114 *Fortune Global 500 Largest Companies* (2015)
- #165 *Forbes 2000 Largest Companies Worldwide* (2015)
- #7 of *Fast Company Magazine's Fast 50* (2013)
- #26 of *Top 50 Organizations for Multicultural Business Opportunities* (2014)
- Top 125 in *Training Magazine* (2014)
- #9 among Association for Talent Development's *Very Best Learning Organizations* (2014)
- #32 in *Careers & the disABLED Magazine's Top 50 Employers* (2013)

One of its 8,175 stores lies within five miles of 76% of America's customers, including locations in Puerto Rico and the U.S. Virgin Islands.

In the face of economic recession, competition from grocery chain pharmacies, and online giants like Amazon, Walgreens revisited its corporate strategy. It felt the need to move away from its old chain store, command-and-control psychology to its new vision of to become the one-stop shop for patient care, health and daily-living products, and customer services.

The strategy focused on the stores becoming an inviting and satisfying customer experience, a difficult challenge given the competition and the bi-furcated supply chain:

- Walgreens has a back of the store where the pharmacy distributes prescription pharmaceutical, administers inoculations, runs DNA and blood tests, and, in some locations, provides some first aid medical treatments.
- But, there's also the front of the store with thousands of products in makeup, office supplies, pet foods, household cleaning, photo developing, food and dairy, and much more.

So, Walgreens sought an integrative solution in technology. IT had to integrate indoor shopping, online orders, Medicare processing, direct mail delivery, its customer rewards club, and the fluctuating needs of insurance companies trying to navigate the Affordable Care Act.

Walgreens' leadership drove strategies to become customers' "most-loved pharmacy-led health, well-being, and beauty retailer:"

- Free leadership's time and provide the support necessary to deliver on mission.
- Relocate decision-making, so decisions were in the right hands.
- Redefine roles and incentive structure to realign store behaviors with employee engagement and customer satisfaction.
- Develop mechanics to coach, mentor, and support new performance model for its 245,000 employees.

To make this all happen, CIO Tim Theriault has pursued several paths since his appointment in 2007. Walgreens 2.0 set several goals:

- Walgreens CloudEHR: **Oracle's Healthcare Data Repository** integrated customer data from all stores while protecting patient privacy. Accessible data reduced pharmacists' decision-making and freed their time.
- They replaced their Point-of-Sale system across all stores and systems enrolling 82 million participants seeking discounts, redeemable points, and coupons.
- **AmerisourceBergen** used Walgreens' data to restructure their supply chain to deliver products efficiently.

The data-gathering provided Test and Learn outcomes that empowered store employees with more customer information that optimized their time with customers. In 2011, **Drug Store News** said, "Walgreens leads all retailers in utilizing technology." They singled out Walgreens next-generation store technology and internal enhancements to improve productivity, efficiency, and the overall customer shopping experience."

The great majority of employees at Walgreens work part-time. And, the nature of a part-time profile may explain why a bare majority (53%) of them would recommend employment at Walgreens to a friend. According to **CareerBliss** (2013) and other review sites, Walgreens ranked higher than its competitors in employee satisfaction, but only 3.5 out of 5 points.

But, the signs of dissatisfaction may also reflect on Walgreens' customer emphasis. For example, "employees" are not mentioned in mission, vision, and culture statements except about their obligation to serve customers.

And, it's interesting that **Denise Wong**, Walgreens Vice President of HR Shared Services, is technologist, a long-term Walgreens employee and its former CIO. Asked about her role in Walgreens' mission, she said, "IT is in everything that we do – almost every job has an automated component to it. So, it's crucial in how we maintain wellness."

Walgreens' Chief Human Resources Officer **Stevens Sainte-Rose** focuses on Walgreens' good record in diversity. Well-educated and experienced in diversity strategies, Sainte-Rose, at least in terms of Walgreens' own literature, leaves Human Resources policy and procedures to regional managers along with issues of employee morale and retention.

Conclusion

Test and Learn remains an invaluable use of analytic technology. It reads every scanned move a customer can make. It accelerates information gathering and analysis of customer preferences to predict future behaviors.

In doing so, it puts a business's decision making ahead of those predictions, and this relieves the workforce to respond faster and more effectively to customer needs. This improves efficiency and productivity earning acknowledgements that make work more engaging and rewarding.

These businesses were chosen because of their size and retail nature. Heavy with part-time workers and a perennially fluctuating economy, they seek ways to improve efficiency, productivity, and profit.

Directly or indirectly, purposefully, or accidentally, they have worked toward technologies that speed and improve work. At the same time, it appears they improve employee job satisfaction and retention to the extent that they link this test and learn acceleration with employee-centered values.

So, you could reasonably conclude that IT needs to learn more about human interests and HR needs to learn more about IT potential.

Louis Carter, MA is author of over 10 books on best practices in leadership and management including Change Champion's Field Guide and Best Practices in Talent Management. He is one of the top advisors to C-level executives - helping them transform their organizations into an environment where employees love where they work and want to produce the best results for the company. Carter is the recipient of ELearning! Magazine's Trailblazer Award, HR Tech Conference's Top Products Award, and Leadership Excellence Magazine's Best in Leadership Development for his work as founder and CEO of Best Practice Institute and the creator of the first social anytime 360-degree feedback tool, skillrater. He received his MA in Social/Organizational Psychology from Columbia University. His newest books are Best Practices in Organization Transformation and Loving Work: How to Create a Most Loved Workplace to be published in 2017. He has spoken for the Prime Minister of the UAE's HR Lighthouse Initiative, Pentagon and UN officials, and various international conferences on his work and research.