er 2001, Nardelli used his keynote address at the National Hardware Show in Chicago me Depot's new policy of consolidated purchasing, saying the reorganization would nal managers of the chain "more time to convert merchandise into sales."[73] An erchandising and marketing in a Canadian home improvement store commented, "I are doing is absolutely right. When you buy regionally, you find you're losing too your inventory. And when stores don't pay attention to inventory management, you ner service goes down because there's too much product on the [sales] floor."[74]

ared the centralization would lead to stores offering exactly the same product mix, al variation.[75] But Nardelli maintained that centralized purchasing was necessary for have greater control of over the mix of products available in stores, to ensure greater erchandising, and to better manage vendors and inventory.[76] By 2003, the company almost 20,000 SKUs from its overall inventory and added others—mostly higher- d items aimed at increasing revenue—as part of centralization of merchandising.[77]

nasing power allowed Nardelli to broker exclusive deals with certain vendors eere, Mill's Pride Cabinets and furniture-maker Thomasville. He placed emphasis onships with loyal vendors and developing more business with fewer entities.[78] ve never could have done [a deal with] John Deere," Nardelli said in 2003. "Every ore was their own sourcing center. Now we can negotiate an exclusive arrangement t national brand in the country."[79] Home Depot used its beefed-up purchasing e better deals, extending payment terms to 45 or 50 days up from the typical 30

ntralized merchandising Home Depot spent over $1 billion to modernize the gical infrastructure and IT systems, including a new system for inventory 2004, Home Depot implemented assortment planning, markdown management, nning software.[82] By 2005, 11% of sales were replenished automatically.[83]

ach to Store Operations

firm believer in the power of process discipline and operational execution. training, he was steeped in the culture of Six Sigma, a management methodology analysis to improve quality, and was eager to implement this methodology at approximately 1.3 billion customer transactions a year, a slight improvement in uld boost financial performance, he wrote to his shareholders in the 2004 Annual

ethod had been pioneered (and trademarked) by Motorola in the 1980s and was and others.[85] Motorola estimated that it saved at least $15 billion by using Six of its development through 1999.[86] Former GE CEO Jack Welch, an enthusiastic thodology, believed that Six Sigma techniques led to $600 million in savings in

at Motorola and elsewhere, Six Sigma aimed at eliminating defects in sses through reducing variation. A defect

manager at Motorola said projects that can be "broken down into discrete, manageable activities"[88] are "the right projects for Six Sigma."[89] In the context of retail store operations, processes associated with the flow and storage of products (i.e. in-store logistics activities) were good candidates for Six Sigma process improvement.

The Six Sigma approach was embodied in a four-step process to achieve improved quality: measure, analyze, improve, and control. Measurement was the crucial first step which allowed a company to quantify its quality and accuracy in business processes. Anything and everything could be measured, from the number of high quality parts produced to the time it took to process orders from customers or the number of daily sales made per sales representative. Measurements and variables were then subjected to a process of analysis to determine optimal outcomes and objectives for the performance of certain business processes. Improvement came from changing processes and methods to better achieve the performance goals that had been set. Finally, once new processes were implemented, they were monitored with an eye to controlling and maintaining quality levels.[90]

Changes Made in Store Operations

Consistent with Six Sigma methodology, Nardelli focused on precision, measurement and quantitative analysis to bring to the fore a focus on efficiencies in operational processes. "When I came here, I was told, 'If you get 50 percent compliance, that's a good day,'" Nardelli recalled. "And I said, 'Well, that's not a good day because customers' expectation is to have consistency of delivery not only in the store they shop, but as they go from Home Depot to Home Depot. "We can't live with 50 percent compliance. You have to have 100 percent compliance."[91]

Changes to improve productivity Nardelli's method for improving store productivity included simplification of each store associate's job function with an eye toward more specialization.[92] For example, with the Service Performance Improvement initiative, Home Depot began to stock new inventory at night, so that sales associates could spend more time during the day with customers.[93] Sales associates were still responsible for replenishing products from storage areas during the day. Nardelli also worked on standardizing in-store logistics activities, from the moment freight arrived at the backdoor of the store to its eventual sale or return to the vendor.Productivity metrics were introduced around each step of the freight flow process (e.g. pallets per hour).[94] Stores also had to track "inventory velocity," the length of time it took for products to flow through stores.[95]

To improve labor productivity, Nardelli also invested heavily in technology. Through the Front End Accuracy and Service Transformation (FAST) initiative,[96] all stores were equipped with new point-of-sales terminals with touch screens. These terminals made looking up unbarcoded items simpler and faster for cashiers. Self checkout registers were installed in 800 of the company's highest volume stores.[97] Cordless scan guns were introduced at a number of cash registers after a Six Sigma study found that cashiers were faster and more accurate when they used them.[98] By 2004, cordless scan guns had been installed in all stores, and over 1,000 self-checkout aisles were in operation.[99] By mid-2005, Home Depot had also installed a computerized process to scan incoming inventory.

Changes to increase