Store operations

SUBMITTED BY:
Vipin (53)
PGDRM 2A

SUBMITTED TO:
Mr. Shashank Mehra
Faculty of Marketing
Research

Center for Retail Management
FDDI
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The retail store is the place where the customers take a decision on the purchase of the products offered by the retailer. The store also influences the perception that customers form in their minds about the store, the products, services and staff. From the management’s point of view, operations of the store and a major element of the cost. As a consequence, the store itself becomes a critical asset of the retail business and it is imperative that the operations are managed well to achieve and sustain customer satisfaction and be cost effective. Managing store operations for a small retail business of any size or complexity from the neighborhood grocer to the national retail chain is a challenging task. It requires integration among various functions within the store. When all the functions are performed in an integration manner, the store operations run smoothly.

KEY ROLES IN STORE ENVIRONMENT

The retail store is of prime importance to the retail origination, for two reasons.

- The retail store is the primary source of revenue for the retailer and
- It is the point where the customer actually interacts with the retail store and its offerings.

The primary responsibility within the environment of a retail store lies with the store manager. The store manager has to play a dual role in retail environment. On one hand he is responsible for the various members of the staff and team who report to him and enable the smooth functioning of the day-to-day operations of the store. On the other hand he also has to ensure that the policies and the guidelines as laid down by the management, are adhered to by the store and all employees within the store. Typically, the store manager is responsible for all the activities that are conducted within the environs of the store and would include the opening of the store on time, scheduling of
staff, cleanliness, ensuring adequate stock on the floor, closing of the store and also dealing with the customer grievances and complaints. While the store manager may not personally perform all these functions, he would be responsible for the tasks being performed. Thus there may be other individuals who handle these tasks, but the overall responsibility of ensuring that they are performed as per the guidelines laid down by the company, rests with the store manager. Thus, if one were to enlists the responsibilities of the store manager, they would include:

❖ **BUDGETING AND PLANNING**

- Ensure that the goals are met through appropriate planning and organization of staff, inventory and expenses, for short and long term success.
- Monitor a loss prevention program to protect the company’s inventory and assets.
- Develop and monitor the capital expenses budget to ensure that the store is properly maintained and upgraded so as to meet the high maintenance standards that reflects the profitable image.

❖ **COMMUNICATION**

- Communication with the regional office/head office as per the requirements laid down by the organization with reference to sales, target customer service, events and local issues.
- Hold staff meetings to boost employee morale and drive for achieving the results needed.
- Ensure the company policy and procedures are communicated in a manner and adhered to strictly.
- Motivate and develop staff in order to encourage their professional development.
❖ CUSTOMER SERVICE

➢ Instill the employees, the meaning and importance of customer service as outlined in the retail philosophy.
➢ Promote and monitor the quality of service among the staff through training and by acting as positive role model.
➢ Be personally available to all the customers to communicate and indentify their needs and to address their questions or concerns.

❖ PERSONAL

➢ Inspire employees so that each person contributes to the productivity of the store.
➢ Delegate the work load appropriately and effective.
➢ Write performance evaluation and goal assessments for the Assistant Store Manager.

❖ LEGAL COMPLIANCE

➢ Ensure that the store is in compliance with employment laws, including those regarding wage and hour, human rights and equal employment opportunities.
➢ Maintain safe working conditions for the employees and customers coming in the store, resolve any safety concerns quickly.
➢ Ensure store security from internal and external theft and get to know the proper apprehension and prosecution procedures for your state.
The other important position within the retail store environment is that of a Cashier. The Cashier in the retail store is a person who basically, is responsible transacting the exchange of the money or credit with the customers in return for merchandise or services. The cashier in a retail store is responsible for billing, collection of cash, credit card, foreign currency, and traveler’s cheques or a gift voucher, as may be applicable.

**ELEMENTS/ COMPONENTS OF RETAIL OPERATIONS**

In order to ensure a smooth flow of operations at the store level, it is necessary that the management defines processes and has the people and the resources to implement them.

The tasks to be performed and the processes are usually defined in a store operations manual. This document lists the tasks which need to be carried out at the store level; it states the responsibility and the time period in which these tasks need to be performed. A well-prepared operations manual or blue print is the starting point of efficient store operations.

Typically in a retail store, the following tasks need to be performed.

1. Store administration and management of the premises
2. Managing inventory and display
3. Managing receipts
4. Customer service
5. Managing promotions, events, alliances and partnerships.
1. STORE ADMINISTRATION AND MANAGEMENT OF PREMISES

Management of premises
Managing the operations of a retail store starts by determining how the tasks pertaining to the premises are to be performed. Firstly, the duration of the hours for business need to be determined. It is also necessary to specify with whom the responsibility of opening and closing the store lies with.

Some considerations which need to be taken into account while determining the business hours are: the target audience for the store and the kind of products which are to be retailed. For example, a supermarket selling groceries will need to have early opening hours as compared to a lifestyle second factor which affects the working hours of a retail store, is the store location. A free standing store can operate at hours that it chooses to, while store which is a part of a shopping center or mall will need to follow the hours decided upon by the management of the mall.

Security of the store premises and of the merchandise in the store is equally important. The size of the retail store and the level of operations determine the level of security required. A small independent retailer may not really need security for his premises, but a large department store may consider it necessary. Security of the premises is necessary in order to ensure that miscreants do not spoil the retail store. Security of merchandise is needed to ensure that pilferage of merchandise or shrinkage as it is commonly termed, is minimal. Inventory shrinkage may arise due to theft by employees, customers or by error on the part of the store at the time of receiving merchandise.
A large number of retailer across the world use specially designed tags, which are attached to products. These tags are sensed by the electronic devices specially designed to detect them and are usually placed at the store entrances and exits. If an attempt is made to take the product out of the store without removing these tags, an alarm goes off, thus alerting the store personnel. The other device used for monitoring the movement of customers and staff is video cameras. Some retail store also provide separate entrances and exits for the store staff, so that they can be checked each time they leave and enter the store premises.

**Transaction per hour**

\[
\text{Transaction per hour} = \frac{\text{number of transaction}}{\text{number of hours}}
\]

This help retailer to keep track of the number of transaction that they are carrying out in an hour. Hourly variation in sales activity could be important for setting store hours and for staff schedule, particularly for cashier. The information can be gathered with cash registers, which keep track of the time of the sales or by having periodically record the number of transaction at selected period of time.

**Sales per transaction**

\[
\text{Sales per transaction} = \frac{\text{net sales}}{\text{number of transactions}}
\]

This measure gives the rupee value of the average sales, net of return and allowances this is used to study sales trends over time, in combination with other measures, decide a high volume of sales is more important than a high rupee value on each sales.
Hourly customer traffic

= customer traffic in / number of hours

A retailer use this measure to track total number of customer traffic per hour, day, week or season this can be applied to a entire store or to a single department to schedule hours and establish staff level. Unless there are automatic counting mechanisms, periodic surveys of customer’s traffic are required to arrive at a representative figure.

STORE ADMINISTRATION

Store administration deals with various aspects like the cleanliness of the store premises, maintenance of the store façade and the display windows etc. Administration is also be responsible for utilizing the store personnel effectively. Time keeping for the store staff is important. It is also necessary to keep track of holidays and the shifts that the staff may be required to work for.

The premises of the store need to be maintained as per the standards decided upon by the management. This involves the task of cleaning the store and arranging the merchandise before the first customer can walk into the store.

As important task of administration involves ensuring that all the required permissions and licenses to run a retail establishment are procured from the right authorities. It is also necessary that the health and safety norms as required by the law of the land, are met with and satisfied.
Stock

In order to determine the strength of your stock holding you need answers to this question what is the average selling price (average selling price is calculated by dividing the total value sold during a day or a period by the total quantity sold during the same day or period) compared to the average price (average stock price is calculated dividing the value of the total merchandise in stock by the total quantity in stock). Its an ideal situation if both happens to be around the same value this measure help retailers find out if there store is over stocked or under stocked in any category or even in an SKU.

Average selling price

\[ \text{Average selling price} = \frac{\text{total values of goods sold}}{\text{total quantity sold}} \]

Average stock price

\[ \text{Average stock price} = \frac{\text{total value of goods and stock}}{\text{total quantity in stock}} \]

Turning stock around efficiently yields better profits: the more times the retailers turn his stock the more his margins are. This can be found for any category or any SKU any time by checking the percentage sold from the stock of a specified category or SKU.
2. MANAGING INVENTORY AND DISPLAY

The task of allocating the merchandise to the various stores, usually rests with the merchandise management team or the category manager as the case may be. As the store, the store staff manages this inventory. To enable them to work efficiently, the complete procedure for the handling of merchandise at the store level needs to be documented.

Responsibility with respect to merchandise at the store level involve receiving and in warding the goods. Once the merchandise is received at the store, the quantity and other details like color, style And sizes have to be checked with the document accompanying the goods, to detect any discrepancies. In the case of most large retailers, using a hand held scanner, the merchandise is scanned and the system updated for the stocks received. Proper documentation also needs to be done when returning goods to the various locations as and when required.

As the integral part of managing inventory at the store level is displaying it correctly. The best merchandise may lie unsold if it is not displayed in a manner that is appealing and convenient for the customer. For ex- in a supermarket, if 15 ltr packs of vegetable oil are placed on the topmost shelf, it may be inconvenient for the customer to pick one up and carry, considering the fact that most of the customer at a supermarket would be women. In case the retailer is running any theme promotion or campaign, the products on offer need to be displayed correctly, and replenished once sold.
Stock turnover/inventory turnover rate

\[ \text{Stock turnover/inventory turnover rate} = \frac{\text{net sales}}{\text{average retail value of inventory}} \]

Expressed as number of times, this ratio indicates how often the inventory is sold and replaced in a given period of time. Some retailers also use the ratio cost of goods sold divided by average value of inventory at cost. Both can be calculated for any time period. When either of these ratio declines there is a possibility that inventory is excessive.

Percent inventory carrying cost

\[ \text{Percent inventory carrying cost} = \left( \frac{\text{inventory carrying cost}}{\text{net sales}} \right) \times 100 \]

The importance of this measure has increased in recent years with the rise in inventory carrying cost due to high interest rates. This measure is also important to reduce stock obsolescence and to prevent blockage of working capital. Retailers use this measure to track the percentage of their net sales represented by the fixed cost of maintaining inventory.

Gross margin return on inventory

\[ \text{Gross margin return on inventory} = \frac{\text{Gross margin}}{\text{average value of inventory}} \]

Express in rupee terms, the gross margin return on inventory (GMROI) compares the margin on sales on the original cost value of merchandise to yield a return on merchandise investment. Inventory can be valued at retail or at cost but for many retailers inventory valued at retail is more accessible that the value at cost. However, using inventory valued at retail may not give an accurate indication of investment cost. GMROI can be dramatically altered by changes in inventory turnover and gross margin.
Space

Space productivity is critical to successful retailing, hence it is imperative to have parameters that measure space productivity. The top-of-the-mind dipstick measures are sales per square foot per day and margins per square foot per day. The performance of the store depends on the gross margin return on footage (GMROF).

As retailing is all about operating within a given space, its productivity can be measures according to any of the various retail elements, be it employees, stocks, customers or even the store’s facilities, besides sales.

Occupancy cost per square foot selling space

= occupancy cost/ square feet of selling space

Expressed in rupees, this measure translates occupancy cost into rupee value per unit of selling space. It gives an estimate of the amount of the gross margin rupee each unit of space employed for retail selling must generate to cover occupancy costs. For a multi-unit retailer it is a helpful measure for comparing the performance of units at different locations. It can be calculated for any time period, such as a year or a month.

Sales per square foot

= net sales/ square feet of selling space

Stock per square foot

= net stock/ square feet of selling space
Expressed in quantity or value, this measure can be used to compare alternative uses of space involving different product lines, or to compare the performance of different departments or stores using a common standard. This ratio will vary according to the type of merchandise and merchandising methods used.

**Percentage of selling space**

\[ \text{Percentage of selling space} = \left( \frac{\text{selling space in square feet}}{\text{total space in square feet}} \right) \times 100 \]

Retailers use this measure to calculate the percentage of total space used for sales. This ratio varies according to the type of merchandise and merchandising methods.

### 3. MANAGING RECEIPTS

Managing receipts involves defining the manner in which the retailer is going to receive payment for the sales. The most common method for receiving payments for goods sold in India is by cash or by credit card. While most of the large retail stores would accept either of the above forms of payment, a small local retail store may accept only cash payments. Other modes of receiving payment are by way of cheque or a debit card. Some stores also have a co-branded card, which can be used for payment.

The use of credit cards in India is largely an urban phenomenon. Most large department stores have started accepting credit cards as a mode of payment. The credit card charges paid by the retailer depend on the volume of business transacted by the retailer and the rate negotiated on the basis of the future business transacted
by the retailer. The procedure for accepting payment by way of credit cards and collecting payment from the bank needs to be clearly understood by the staff responsible for this function.

4. CUSTOMER SERVICE

The customer service policy to be adopted by the retailer is decided upon the top management. This is actually put into practice by every person working within the retail store. Customer service does not have to begin and end at the customer service counter in the retail store. Each person on the floor of the retail store can ensure that the customer comes in contact with him or her is comfortable and has a pleasant shopping experience. This is something which has to be imbibed in them, and this has to be a top down approach.

An important aspect which affects a customer’s perception of the retail store, its the experience that he has while billing the products purchased by him. While a customer may spend hours choosing the product that he likes, he does not like waiting for a long time at the time of payment. Long queues may result in some disgruntled customers. Store operations need to be geared to handle such a situation. Many stores, in fact, train each member of the staff to handle the cash counter. Many supermarkets and other retailers have also introduced express check outs for customers who have bought a limited number of products. This ensures that a customer who needs to buy only one or two products does not have to wait in the same queue as a person buying a large number of items.

Retailers in India need to be sensitive to the issue of efficiency of billing at times when the number of people buying from the store increases substantially. Specific days of
the week may show a trend of increased billing. This may also happen during a
discount sale, diwali, Durga puja, Christmas, New Year and other such occasions.

Customer conversion ratio
\[ = \frac{\text{number of transactions}}{\text{customer traffic}} \times 100 \]

This percentage reflects the retailer’s ability to turn a potential customer into a buyer. It is also known as the ‘percentage yield rate’ or the ‘walk to buy ratio’. A low figure means that promotional activities are not being converted into sales, or that the overall sales efforts need to be accessed afresh. Unless automatic counting mechanisms are recording customer traffic, periodic surveys of customer traffic are required to arrive at a representative figure. Information on transactions can be gathered from cash register tapes which keep track of the time of the sale, or by having staff records the number of transactions for selected of time.

Employees

Employee productivity is usually measured in terms of sales. Measurement parameters include total sales per day per salesperson. Total number of cash memos/customers handled by a salesperson in the case of free access retailing (the criteria applied for over-the-counter retailing is different). It is again the gross margin return on labour employed (GMROL) that matters.

Net sales per full-time employee
\[ = \frac{\text{net sales}}{\text{total full-time employees}} \]

Express either in quantity or rupee value terms, this measure represents the average sales generated by each full-time employee. It is used to set performance targets for sales personnel.
**Space covered/ customers served per full-time employee**

= total retailing space/number of customers served/ total full-time employees

Expressed in square feet, this measurement represents the space covered/ number of customers served by each full-time employee. This is extensively used by large free-access format retailers like department stores.

**Labour productivity**

= (total labour costs / net sales) * 100

This percentage measure labour productivity by tracking the labour costs incurred to achieve a given sales volume. This measure can also be applied solely to sales employees.

**Gross margin per full-time employee**

= gross margin/ total full-time employees

Expressed in rupee value, this ratio indicates the gross profit generated per employee, and can be used to gauge a sales employee’s performance. Though this shouldn’t be the only measure of an employee’s performance, it can provide a starting point for closer examination. This measure can be adapted to apply to all employees or solely to buyers.

**Suppliers/quantity or value purchased per buyer**

= total suppliers/ quantity or value purchased/ total buyers

This measure gives an average of the number of suppliers or the quantity or rupee value for each buyer in a store. There is no ideal number, but by comparing the workload of individual buyers through this measure, management can see how well the buying load is being distributed among purchasing staff. Research indicates that an average buyer’s ability to make appropriate decisions about buying declines as the number of suppliers increase. This measure should be looked at in conjunction with the number of SKUs the average buyer handles, as well as with the replenishment cycles involved.
5. Managing promotions, events, and partnership

Events and promotions are very much part of retail marketing scene. In order to enable the success of an event or a promotion, it is necessary that the store where the action is to take place be geared for the same. This may require hiring of additional staff, working existing staff in shifts and running short training programme on the features of the promotion, the hours and the speciality of the merchandise.

The complexity of managing a retail store also depends on the type of retail store and the products retailed. While the merchandise sold in a department store or a high fashion boutique changes from season to season, the expertise require for the operations of the supermarket is very different. And integral part of managing a supermarket comprises of understanding the temperatures at which meat needs to be frozen, stored and displayed. The requirements of a bakery and dairy products are again different and need to be understood. Control of perishable and sanitation are two important aspects of the operations of a supermarket.