

Retail Store productivity and Profitability

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Abstract: In the booming Indian retail industry, Retail Store Operation play an important role. The end point of retail store generates the revenue .The cost of good and the entire overheads of all expenses are realized the store level. This revenue is collected from the end consumer who visits the store. A well planned store can achieve this common integrative objective. Unplanned store bound to face a great loss. A well designed analytical approach will help in identifying this efficient store operation process. Various tools applied to monitor the store operation functions will help in evaluating the performance standard of the retail store.

Key words; Store operations, Space, Merchandising, store personnel& Return on Investment

Objective

1. To understand the key Performance Indicators of retail store operation
2. To identify the contribution of each resource like, space, Products, Store personnel, and Investment

Research methodology: 100 Modern retail stores were visited in the geographical area of Mumbai & suburb. Interacted with the responsible store personal and gathered required research data, analyzed to derive the results.

The ultimate objective of any retailer is to improve the productivity of any store and improving the profitability of the store. This research summarizes the same with the following outcome;

This can be assessed by the performance of the key performing areas in modern store operation. Following are the tools to control the performance of any store. The major contributors for the same are as follows.

1. Space productivity
2. Merchandise productivity
3. Store personal productivity
4. Return on investment



Space productivity: Everything is measured by square foot in a retail store. The occupation cost is calculated by the rent paid for the space occupied. Total rent paid is divided by the number of square feet will gives us per square feet occupancy cost. Since the occupancy cost is considered to be the highest outgoing overhead, this has to be monitored properly to know its productivity. This can be done by proper allocation to the need of every process like selling area, stock area, display area, administrative area etc. The maximum utilization of selling area in any store has added to its profit. Unproductive areas like rest & recreation and dump yard etc. Store should totally avoid unproductive areas. Space allocation plays an important role in

controlling this by the optimum space utilization consulting the store decision makers. Stock per square foot, Store personnel serving per square foot, customers served per square foot, sales per square foot, and profit per square foot are to be properly analyzed.

Unproductive space has to be converted in to productive without any delay.

Merchandise productivity: The only area where the profit can be increased in a retail stories the inventory carrying cost. Identifying the exact required merchandise will help in monitoring this area. The planned stock turn, seasonal merchandising plan for every category, every product, and every brand will help in controlling the right merchandising. Frequent physical inventory

system will bring down the shop shrinkage. This will also be instrumental to place the correct stock ordering. Keeping a track of fast selling products and slow moving products will add efficiency in inventory control. Sending back the defective merchandise back to the supply point will reduce the unnecessary inventory carrying the cost. Checking the age old merchandise will help liquidation or markdown. Seasonal clearance always helps in driving the out of season goods and to bring the seasonal goods to the store. Careful maintenance of products will eliminate the shop shrinkage and markdown.

Well maintained inventory will help in the customer service fast and accurate. Properly stored goods will enhance the look of the store to enhance the store image. Merchandise arranged systematically as per assortment will help in serving the customer properly. Inter transfer of goods to the other nearby stores if found to be unwanted or excess will help reducing the inventory level. Periodical statement of stock –sales report will give a clear picture of the inventory lying in the store and selling. Action has to be initiated to track the excess goods and wanted merchandise goods for timely replenishment. Seasonal planned sales promotion will help in clearing the end of the season goods. The entire merchandise should be divided in to categories and made the individual store personnel in charge for the same should be responsible for any lapses and proper planning. Arrival of new goods, introduction of new products should be made visible to the customers by proper displays.

Goods not having full assortment should never be put on displays causing dissatisfaction to the customers. In India the retailers use the sale sale campaign very frequently. This may spoil the image of the store in a long run. Advertising in media about the discount Up to 75% and all are a wrong way of publicity. Customers are cleverer than retailers. Hence these types of practices should be totally eliminated. Shop soiled goods never be put on displays and should never be sold at its original price has to be reduced and sold. Stock turn can be increases by reducing the stock as well as increasing the sale. To increase the stock turnover, the standard stock in the store has to be worked out. The goods on way period has to be reduced. Reducing the shop shrinkage, minimizing the markdown, increasing the stock turn are all the best way to increase the productivity of the same.

Store personnel productivity:

Employing the right store personnel both in quantity and quality will be good move to increase the productivity of the store personnel. Since retail is a human driven industry store employees a play an important role. These are purely on the permanent employees. The yard stick for measuring their productivity can be on the basis of their output. Measure their Key performance areas. Every employee is assigned with a job description. With a specific target which has to be evaluated at a given period of time. Measure the number of store space allocated for their operation, the number of customers to serve and their target for the day. A benchmark created already will help in assigning these targets. The quality of their

service can be measured by getting the customer feedback, peers evaluation and the the controlling executive.

There should be a standard output fixed for every employee for example, in a shoe store every sales staff should sell thirty pairs every day. Or in apparel store thirty SKUs in a day or in a department store Rupees thirty thousand per day. On increasing the productivity of the employees it is essential to look in to their profitability also. Just employing the employees are not the only objective of a store. Ensure they are profitable for the organization. This profitability can come through their outstanding output. They may deliver more than their target, may be inexpensive, and bring more new customers. They have more performing hours.

The customers of a store can have good shopping experience and satisfaction by availing the service of the store personnel. The smiling faces, courteous service, goods listeners, ready to solve the problems of the customers are the various areas. Most of the customer complaints are solved by just listening to them. It is learnt from researches that getting a new employee is six time expensive than retraining one. Grooming the employees of a retail store by required training is an ongoing process. On the basis of the periodical assessment, the employees' career growth is planned. This growth can be made only by providing the right training for every employee. These trainings can be off the job and on the job. Bring the right trainers and conduct periodical training programs like, customer service, selling skills, merchandising

management, Store operation and visual merchandising.

Scheduling their working hours as per the norms and taking care of their facilities, job rotation and frequent store meetings will help in enhancing their output. Proper motivation, highlighting their achievements will encourage for a higher contribution. Leadership quality has to be emphasized throughout. The team development will result in achieving common objective of a store. Proper break for the lunch and tea allowing their weekly off and their eligible leave facilities will maintain good industrial relations. Holding a family day in a year will strengthen the employer employee relationship. Man of the year, achiever of the month, leading seller of the day will all the points of recognizing the performer. Meeting the nonperformer and giving required suggestions will improve the behavior of the employee.

Promotion policy, transfers, job rotation are all the motivating factors. Ultimately arresting the employee's turnover and winning them is a good HR policy. Since there is a long working hours, operating the store on non-working days and holidays may demoralize the store personnel. Hence these are to be dealt very carefully. Gender bias and sex harassment are to be totally avoided. Since women employment in the retail stores are increasing providing , providing the basic requirements like separate wash room and certain privacy areas to be taken care off.

For recruiting the new vacancies, it is always to consider the family members or their reference of the employees. Providing the statutory benefits like P.F Insurance, medical benefits, gratuity, bonuses and incentives will keep the work force happy. Employees who served the organization like ten twenty thirty years should be honored with Long service awards. Needless to state that every employee entering and exit should honored with a welcome and farewell. Store personnel are considered to be the asset of any organization and should be treated with utmost care ultimately will bring more productivity and profitability to a store.

Return on investment: A crucial area in retail store operation. Every penny invested has to bring the returns. This starts from hiring a place or buying retail premises.

The investment is always counted with a profit or interest right from the day it invested. If it is of owned place the property appreciation is calculated or if it is rented then the occupancy rate proportionate to the sales. In most of the cases the retailers who have invested their money in real-estate have earned faster money than doing sales. That may be the reason more realty people are jumping in to retail business nowadays. Hence every retail store operator should carefully calculate the and hire or buy a premises for their retail store.

Fixtures and furniture is another big investment for a retail store. These fixtures should be exactly calculated and ordered while starting the store. The actual requirement should worked out on the basis of the store layout and store designing. These fixtures should be more of flexible which can be moved, packed easily or transferred from one store to another. To rearrange the store to give a different look this is easy. These fixtures should help in presenting the merchandising better for a higher productivity. This should help in preserving the quality of the products safely to maintain its value. Proper maintenance of fixtures should be done to store it and use it as and when it is required.. Outdated fixtures should be moved from the store to pave way for the new one and to reduce the inventory of unproductive.

Investment on Inventory is another area where huge investment is made. Every product has to give GMROI and this has to be monitored periodically. The score card will give a clear picture to assess this including the vendor evaluation. The % of markdown sales will give a picture on the loss through this sale. Higher % of goods returned by customers and by the store to the supply point as per reverse logistics will help in identifying the quality of goods and services. % of shop shrinkage will give the picture of inventory management. Any Capital expenditure invested has to be followed up to know its returns level.

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Retail audit will have to be conducted to assess the return on investment every quarter in a retail store. Chain store operators should transfer the required & unwanted from one store to other by inter-transfers for both merchandise and furniture.

Conclusion:

To conclude every activity in a retail store is integrated with the productivity and profitability. Hence stringent measures are to be undertaken by utilizing the internal auditing system. Any lapses should be dealt

strictly. Running a retail store is not an achievement or doing sales but every store a profit center should run profitable every year. Like how the sales budget and forecasting is done, the similar system should be adopted for the productivity and profitability. In any eventuality the stores should take the advice of the retail consultants to streamline the operation. Unprofitable stores dealt properly to recover or decide it to close down. Remember closure of retail store should be last resort after applying all efforts.

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