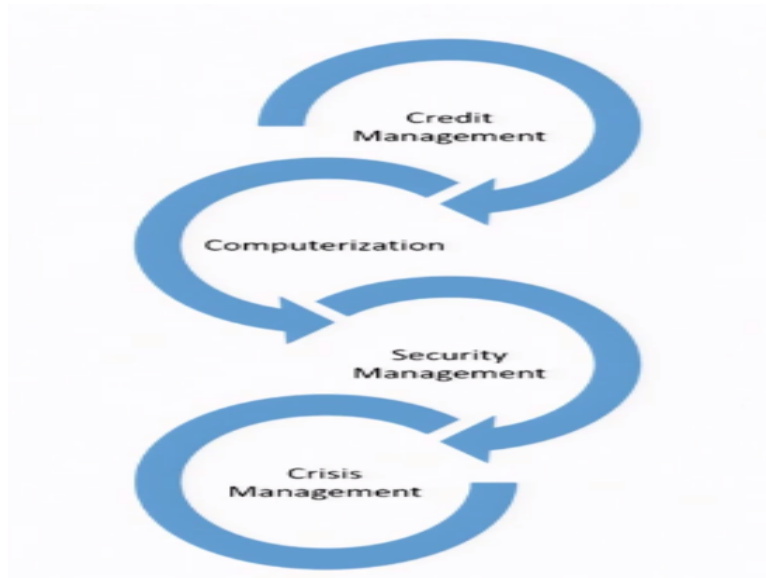


Retail Management
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Lecture – 28
Retail Operations Management - 3

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Hello everybody, welcome to this NPTEL Swayam course on retail management. This is professor, Swagato Chatterjee from VGSOM, IIT Kharagpur who is taking this course for you. We are discussing retail operations management and in this particular session I will specifically discuss about the security management and crisis management and insurance management.

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Insurance Issues

- Rising premiums
- Reduced scope of coverage by insurers
- Fewer insurers servicing retailers
- Greater need for insurance against environmental risks

So, what is insurance issues that we face? So, the major problem in insurance is that premiums are rising because there are lots of different kinds of problems coming up. The coverage is slowly reducing and fewer insurers are serving retailers and greater need for incidents against environmental risks these are coming up. Now, this is a case of USA. In India, probably this is exactly the opposite.

So, here still the premiums are high, but they are slowly coming down because more and more retail stores are coming under the coverage of insurances. And to be very frank, the environmental laws and regulations and implementations of them are different in different countries. So, this is the concern in India also but this is not as strong as a concern as in USA as of now, but there are different kinds of issues. For example, what will be covered and what will not be covered?

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Types of Insurance

- Business Interruption insurance
- Life insurance to pay estate tax (second to die insurance)
- Life insurance to buy out partner's estate on his/her death
- Disability insurance to offset disability of key executive
- Flood, fire insurance
- Liability insurance

So, what are the different kinds of insurance that is given? For example, business interruption insurance. So insurances which leads to business interruption because of various kinds of reasons for probably can be natural calamity, for economic reasons, for let us say this natural disaster like let us say COVID-19, so which interrupts business, how I can insure on that? So whether the cost companies are basically covering for that.

Life insurance to pay estate tax. So for example, let us say it is more applicable for retail store, which is run by a family member, family run businesses or small businesses in fact bought a particular space for retail and then the person who is running that particular retail activity dies at the retail stops, but still you have to pay the taxes for the particular space, right. It is a location, you have to pay the tax for that.

So, life insurance companies are covering that okay for the space that you have bought we will be paying tax if the owner dies. Life insurance to buy out partner's estate on his or her data. So, if your partner dies, then oftentimes the retail business stops for certain period of time because it cannot do business without at least two partners. So, one partner dies, another person has to either find a replacement within 6 months or has to stop the business.

So, if somebody wants to basically buy out the other person's share from the inheritors, then basically there has to be certain amount of cash, money which will required, who will give that money? So life insurance companies are coming up and they are saying that we will buy it up and we will become your partner, so let us be the life insurance people. Disability insurance to offset disability of key executed.

By chance if your CEOs or the partners or the key executives become disable, then you want to have insurance for that. Flood, fire insurance are very common, these are part of general insurance. Liability insurance. So, these are the kinds of insurance that retailers are looking forward to when they are getting, but which insurance I will pay or I will get and which insurance I will not get is also another problem.

Then comes another issue which is security management. Security as I told security is for whom? Security is for customers, security for the employees, security for the business. First of all, you have to make sure that your customers are secured. So, customers are secured means you have to make sure that all the human beings who are working in that particular space in inside the retail store, they are getting fire security, they are getting proper training.

So, see your employees are getting proper training of fire security, but your employees also have to help if in case of fire or any kind of disaster. They also have to help the customers because customers are not getting the training inside the retail store. So, you have to also train the employee how to help the customers. Security related to the customer's privacy. For example, when they are changing in the changing room, how to make sure that they are not being taped or they are not being recorded or their privacy is not getting hampered.

How to make sure their items that they are keeping in the baggage store is basically safe? How to make sure that you are saving your business from the customers as well, from the devil customers like you want to do certain kind of checks, you want to have sensitive cameras, any kind of employee harassment, it can be sexual harassment, it can be nonsexual harassment also inside the retail spaces should be tracked.

There should be CCTV cameras for that because retail activities happen from let us say almost sometimes it is 24 – 7, sometimes it is 10 am to 10 pm. It is a huge span and you have to add certain time period of those spans is not basically safe for various, let us say the footfall is low. If the footfall is very low, it is a huge retail store, certain corner of the retail stores might not be a safe place for a woman who is working in that retail space.

So, you have to have CCTV cameras. You have to make sure that the particular personnel are getting secure. Theft is a very important problem and CCTV cameras alone cannot help here.

So, training will help, punishments will help and you have to understand that both your customers and your employees can do the theft activity in a retail store, which basically have high value merchandise. So, security management for those kinds of aspects also come under operating activities.

So, you have to write down that when the CCTV cameras has to open? How to manage the CCTV camera? How will the security persons will be helping? You will see so oftentimes if this happens that the security person not only probably checks the customers when they are going in and going out, they also check the employees. But over time they do not check the employees properly, over time they do not check that whether the employees are actually working properly or not.

Now that has to be also tracked and see the level of there has to be some amount of trust element but with certain periodic checks, certain sudden checks, you can probably make your system more secure, more complete in terms of the security context.

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Crisis Management

- There should be contingency plans for as many different crisis situations as possible.
- Essential information should be communicated to all affected parties as soon as a crisis occurs.
- Cooperation – not conflict – among the parties involved is essential.
- Responses should be as prompt as possible.
- The chain of command should be clear with decision makers given adequate authority.

And then comes the crisis management. So, there should be contingency plans as many different crisis situations as possible. So, you do not know which crisis is going to happen. There can be different kinds of problems that can come up and you should have plans for each of them as much as possible. Essential information should be communicated to all affected as soon as crisis occurs. You should not wait and try to manage the crisis on your own without sharing the information.

Because often very quickly it can go out of your hand and you will not be able to cater to the security issues of the employees and the customers in the right time. Cooperation, not conflict among the parties involved is essential. So, when there is a crisis, you should make sure that the people do not fight with each other. Do not start a blame game, rather try to first mitigate the crisis and then you can do your own I would say all of your investigations and etc., to find out who have caused the crisis.

But that activity you have to make sure, you have to not scare the people so much that they start blame game, they are more scared about the punishment than the crisis. They should always be focused on the crisis first, the punishment should not be bigger than the crisis. Responses should be as prompt as possible. And the chain of command should be clear with decision makers given adequate authority. So here you have to give authority or decision making power to employees also.

They should not wait for their boss to say because boss might not be available at the time of crisis. So, every person should have adequate authority but not more than adequate also because there are certain activities in the retail store which so small employees are not so much trained employees might not be able to handle those kinds of situations. So for example if I talk about, it is not in the retail context but let us say it is a chemical firm and you have given freeholder whenever there is a fire just run, run for your life.

And so if that kind of authority is given and everybody opens up let us say fuel tank, just thinking that that fuel will basically is a liquid and I know that liquid puts off fire, so let us put some oil in it and that some explosion. So, training is required. So that will be an important part of your crisis management exercise that you try to do.

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Examples of Crises

- Natural disaster--Hurricane, tornado, flood
- No heat, no electricity
- Product recall on private label good
- Catastrophic event that affects key managers
- Loss of important goods due to incapacity of key supply source

What are the examples of crises in the retail store? Natural disaster like hurricane, tornado, flood. One of the very common one in India is basically earthquake. So, this is something that you should know. So, if there three storey building, and the moment earthquake happens, the lift stops, the elevator stops, so what to do at that time? If some people are stuck inside the lift or people are running around inside the retail, so what to do?

There can be also situations related to terrorist attacks. There are situations where terrorists or let us say at least criminals attack a particular retail store or robbery is happening. So, how to make sure that I will handle the security of the people in such kind of crisis? No heat, no electricity. Heat is not an issue in India, but still it is an issue in certain parts of the country. Electricity is a very major problem.

So, electricity blackout all of a sudden in a retail store in a crisis condition for a longer period of time, which might create a problem for retail stores. Product recall on private label good. So, let us say a private label, so this is a different kind of crisis, this is a crisis which is related to the products, I would say performance. So, you have sold lots of products which is private label good, which is the retailer's good, and then you found that these particular products are not so good.

There are certain very important damages and I would say big potentially harmful thing that is there in that particular private label and you are going to come for a recall. So, if it is some other brand's product, then it is not a crisis, it will be faced by the brand. But if it is a private

label brand, if it is your own brand then that creates a huge problem. Catastrophic events that affect key managers. Loss of important goods due to incapacity of key supply source.

So, let us say you did not have you have correct flow of let us say ice which will be required to refrigerate let us say fish items or meat items that you generally bring from fresh fish and fresh meat that you also sell in the retail store. Now, you have supply of the nonveg items, but you do not have supply of ice which will be required to store them, so which can create a catastrophic event inside the retail store because now all the fish and etc., will start rotting and they will make smell.

And when they make smell not only that particular place inside the retail space which is a secluded place that will be basically not visitable, the smell can basically spread in the whole retail store. And if you have a 20,000 - 30,000 square feet retail store and everything is smelling and even customers who are vegetarian customers are not able to come in so that will create a catastrophe. So how to handle that?

So, this kind of loss of important goods due to incapacity of key supply sources is also very major problem. This is also sometimes related to electricity downfall. Let us say a hurricane comes up, hurricane comes up one thing is stopping the retail store and okay so you took care that nobody comes in the retail store for 2 days, 3 days, but there will be items which has to be refrigerated. You kept them in refrigerator and the electricity goes off for 3-4 days and they get rotten and lots of let us say smells comes in and they spread around.

If they are ice-based item that swirls around how to clean that up that is a different level of crisis. You have to make sure, you have to plan accordingly. You cannot let the products be there untouched or unused or unmanaged as simple as that in an upcoming crisis. Sometimes crisis is known which can be planned for, sometimes crises are not known. Now all these details; this crisis management, the credit management, security management, ideally all these things should be there in your operational blueprint that you are creating.

So, these are very important activity of creating an operational blueprint. Sometimes it is a big book and sometimes it is very difficult for the retail employees to remember the book because certain aspects written in the book will happen only once in a while. So, there can be

drills that you do inside the retail store. So, if you can create a demo drill that all of a sudden if this kind of XYZ crisis happen, how will you react?

You can also give training to them and also give a gamification inside the retail store so that the employees get points out of it that okay I remember this, I remember that, this is the operational procedure. You can also do gamification in terms of seeing that whether they are following operating procedures properly or not and you can give them prize. Like I remember, Frank Ross gives prizes to their retail employees not only based on the sales, also based on how efficient they are in following up the operational activity.

So, every month there is an employee of the month for every city and there will be other 10 finalists let us say. So, every month one person will be prized as a winner and other persons will get certain other consolation prizes also. So that not only increases the employee engagement but also ensures that your operational guidelines are followed properly, which creates effective and efficient outcome at the end of the day.

So, that is all from me on operational management. We are closing week 5. In the week 6, we will talk about pricing, promotions and merchandising. Thank you very much for being with me. I will see you in the next week.