

Retail Management
Prof. Swagato Chatterjee
Vinod Gupta School of Management
Indian Institute of Technology-Kharagpur

Lecture - 38
OBHR Issues in Retail - 1

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. This is lecture number 38 and we will be discussing about OBHR issues in retail-1. So till now, till week 7 we have discussed about majorly on marketing.

We have also discussed about a little bit on supply chain and operations in the retail context. In this particular week, we will discuss about stuff which are not exactly related to only marketing or supply chain, which is beyond that. For example, we will discuss about HR issues, we will discuss about financial and strategy issues. We will also discuss about law issues a little bit.

While this is a marketing elective under the broad domain of NPTEL, so I will not go in deep of any of these issues. All this can be again be studied in a specific study specific courses on OBHR or specific courses on financial management. But still to run a retail business a little bit of idea of all this stuff is required. In that context, we will be discussing about these topics. So today's topic is as I told OBHR issues in retail.

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Factors in Planning and Assessing a Retail Organization

- Target market needs
- Employee needs
- Management needs

So the first thing that we have to do when we create a retail organization is to plan and assess a retail organization. So to do that, we have to know about three major people's needs, what are their objectives, requirements. One is the target market, one is the employee and one is the management.

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Planning and Assessing a Retail Organization

- **Target Market Needs**
 - Are there sufficient personnel to provide appropriate customer service?
 - Are personnel knowledgeable and courteous?
 - Are store facilities well maintained?
 - Are the specific needs of branch store customers met?
 - Are changing needs promptly addressed?



So what are the target market needs? So target markets ask that are there sufficient personnel to provide appropriate customer service? Are personnel knowledgeable and courteous? means the customer the people who are working in that particular retail store are knowledgeable and courteous. And are store facilities well maintained. So whether the whether it is good to visit that particular place, how do I feel?

Are the specific needs of branch store customers met? Means, if I go to a branch store, whether that need is met, because every branch will have different sets of customers and they have specific needs, which is more related to their own activities, not something which is global or not something which is common to all the chain members.

So whether those customer's needs are met and are changing needs promptly addressed? So basically you have to, they are looking for certain amount of customization, their target market is also looking about sufficiency of people, knowledge of the people who are there in the retail store. They are also looking about the tangible aspects. So these are some of the needs of the target markets in the context of OBHR.

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Planning and Assessing a Retail Organization

• Employee Needs

- Are positions challenging and satisfying enough?
- Is there an orderly promotion program from within?
- Is the employee able to participate in the decision making?
- Are the channels of communication clear and open?
- Is the authority-responsibility relationship clear?
- Is each employee treated fairly?
- Is good performance rewarded?



In the same context of OBHR when I go to the employee, what employee are asking for? So are positions challenging and satisfying enough? So whether they are getting a meaning of their work. Is there an orderly promotion program from within? So that means whether there is a I would say, this promotion program means basically not career progression.

This promotion is whether the sales is intact. So that whenever I basically participant in the sales, I get a lot of outcome very easily. Is the employee able to participate in the decision making? How much the employees are empowered? Are the channels of

communication clear and open in the context of employee to customer also, in the context of employee to senior manager also.

So whether they can talk their heart out? Is the authority responsibility relationship clear? Means who has the authority of which job, who has the responsibility of which job? Whether those kind of relationships are clear. Is each employee treated fairly? Is good performance rewarded within the organization? So these are some of the employees need.

So what they are broadly looking for is one is the support from the organization, one is that whether empowerment within the organization that the communication should be clear. The ability that they can communicate and whatever job role and the responsibility and the rewards that are given to them they should be more clear. So these are some of the basic employee needs.

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Planning and Assessing a Retail Organization – Management Needs

- **Management Needs**

- Is it relatively easy to obtain and retain competent personnel?
- Are personnel procedures clearly defined?
- Does each worker report to only one supervisor?
- Can each manager properly supervise all the workers reporting to him or her?
- Do operating departments have adequate staff support (e.g., marketing research)?
- Are the levels of organization properly developed?
- Are the organization's plans well integrated?
- Are employees motivated?
- Is absenteeism low?
- Is there a system to replace personnel in an orderly manner?
- Is there enough flexibility to adapt to changes in customers or the environment?



Now what are the management dates? From the OBHR context, from the organizational setup context, the management requires is it relatively easy to obtain and retain competent personnel? So whether personnel are available. Are personnel procedures clearly defined? Whether I know that what exactly the personnel has to do. Does each worker report to only one supervisor? Because multiple supervisors may create problem.

Can each managers properly supervise all the workers reporting to them, reporting to him or her? Do operating departments have adequate support staff? So support staff or any kind of staff adequacy is very important when you are running a retail store. Because oftentimes it is a human to human interaction that is important in a retail context. Are the levels of organization properly defined?

Are the organization's plans well integrated? Are employees motivated? Are absenteeism low or turnover low? That we have not mentioned here. Is there a system to replace personnel in an orderly manner? And is there enough flexibility to adapt to the changes in customers or the environment. So basically, all the OBHR issues will come under the management needs.

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Now one of the thing in all these three discussions that we talked about is that whether the job roles and responsibilities and rewards are properly defined or not? So one way or process of organizing a retail firm is to making sure that this is taken care of. Outlining the specific task to be performed in a retail distribution channel that is where you start. And then whatever is the retailer's job, you will divide the task among channel members and customers.

And then group the retailer's task into small jobs, classify those jobs and integrate positions through an organizational chart. Let me give an idea of what I am trying to say. Let us say I am talking about a retail context. I am a retailer of Mother Dairy

milk, okay? So in a Mother Dairy milk, there is a Mother Dairy person who is manufacturer, and then they have their suppliers, manufacturer.

And once the manufacturer manufacture the product, it comes to the filling stations or let us say, somewhere where the packets are created. And once the packets are created, it is distributed. There will be a dealer. From the dealer, the local vendors will pick it up and come and give it to your store. There will be also let us say small retail retailers who are selling in their retail stores.

And there will be also big retailers who will be also buying it from there. So this is the chain that is how it is created. So let us say I am a person who is Spencer, let us say. And I have I buy this kind of Mother Dairy food items I buy, Amul food items, I buy different other items as well. So each of them will, each of these items will have a separate I would say supply chain.

And there in some of the supply chains, my role is just to sell the product. In some of the supply chains, let us say in a private brand supply chain my job is not only selling the product, but also buying the product from the right sources. In some other supply chain, my job is also the whole selling activity because there are people who comes in bulk, comes and buys in bulk from my retail store and they go and sell it in the Kirana store.

So my job when I am selling to a b2c customer, and I am selling to a b2c customer a manufacturer brand versus a private brand. And my job as a retailer when I am selling it to a b2b customers are very different. So first you have to find out that what is your job? What is the task that you have in your mind? And you divide the task among the channel members and the customers and yourself.

So you are a part of this channel member. Then the broad task you break it into small jobs. For example, let us say if I talk about the private label brand. Then one task is that deciding that which private label I will go for, which private label I will introduce. Second is trying to sourcing the private label's raw materials and from where I will source, who will be producing it?

Third is ensuring a person who will be packaging it. Fourth is so let me write it down because that will help. So let us say private label I am trying to bring in and what are the tasks that are there? One is deciding which private label. Then sourcing the raw materials. Then packaging the raw materials let us say. Then comes the logistics part, how the private labels will come to your retail store.

Then comes the merchandising part that how it will be sold in the market. In this further there is a invoicing part in all of these things. There is inventory. So all of this will part of the overall private label when you are trying to sell private. Now all this job will be of different person. Who will be deciding let us say the category manager might be the person.

So category manager's job is almost from here or all these job will be overall handled by a category manager. But the person who will be ultimately sourcing is a person who is a purchase manager who works under the category manager. And this is probably a planning, a planning manager or something like that, planning teams' job. And then the packaging and the logistics.

Logistics will be basically the supply chain manager's job. He will ensure the things are happening properly along with the packaging manager. Merchandising and inventory probably will be the part of the operations manager. It can be the person, merchandising is also the job of the floor manager. Operations inventory is part of operations and supply chain both. And then invoicing will be part of the finance.

So there will be so many different people who will be getting the job. So you have to classifying the jobs. I have to I just classified. And then indicate positions through an organizational chart which I just did now. I have to put that in the chart that who was the person who is the heading of each division and under him who will work.

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Division of Tasks in a Distribution Channel

Performer	Tasks
Retailer	Can perform all or some of the tasks in the distribution channel, from buying merchandise to coordination.
Manufacturer or Wholesaler	Can take care of few or many functions, such as shipping, marking merchandise, inventory storage, displays, research, etc.
Specialist(s)	Can undertake a particular task: buying office, delivery firm, warehouse, marketing research firm, ad agency, accountant, credit bureau, computer service firm.
Consumer	Can be responsible for delivery, credit (cash purchases), sales effort (self-service), product alterations (do-it-yourselfers), etc.



So for example, I told that retailer's job is can perform all or some of the task in the distribution channel from buying merchandise to coordination. Manufacturer's job is can take care of a few of many functions such as shipping, marking merchandise, inventory storage, etc. Specialist's job is can undertake a particular task like buying office or delivering firm or warehouse or market research, marketing research or ad agency this kind of job they can do.

And consumers can be responsible for delivery, credit, sales, effort in the context of self-service and then product alterations, do-it-yourself kind of stuff.

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Grouping Tasks into Jobs

Tasks	Jobs
Displaying merchandise, customer contact, gift wrapping, customer follow-up	Sales personnel
Entering transaction data, handling cash and credit purchases, gift wrapping	Cashier(s)
Receiving merchandise, checking incoming shipments, marking merchandise, inventory storage and control, returning merchandise to vendors	Inventory personnel
Window dressing, interior display setups, use of mobile displays	Display personnel
Billing customers, credit operations, customer research	Credit personnel
Merchandise repairs and alterations, resolution of complaints, customer research	Customer service personnel
Cleaning store, replacing old fixtures	Janitorial personnel
Employee management, sales forecasting, budgeting, pricing, coordinating tasks	Management personnel

Then you group the task also. For example, display merchandise, customer connect, gift wrapping, customer follow-up, these are basically sales personnel's job where set

up in the retail store. Entering transaction data, handling cash and credit purchase, gift wrapping, these are cashier's job who is sitting in the retail store.

Receiving merchandise, checking incoming shipments, marking merchandise, inventory storage, this is the inventory personnel's job. Similarly window dressing, interior display setups, use of mobile displays is display personnel. So there are different people, different kinds of personnel are there who has different kind of tasks as I just did earlier.

You can further break it and then you decide that who will be doing which job, what is which person's responsibility.

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A Job Description for a Store Manager

JOB TITLE: Store Manager for 34th Street Branch of Pombo's Department Stores

POSITION REPORTS TO: Senior Vice-President

POSITIONS REPORTING TO STORE MANAGER: All personnel in the 34th Street store

OBJECTIVES: To properly staff and operate the 34th Street store

DUTIES AND RESPONSIBILITIES:

- Sales forecasting and budgeting
- Personnel recruitment, selection, training, motivation, and evaluation
- Merchandise display, inventory management, and merchandise reorders
- Transferring merchandise among stores
- Handling store receipts, preparing bank transactions, opening and closing store
- Reviewing customer complaints
- Reviewing computer data forms
- Semiannual review of overall operations and reports for top management

COMMITTEES AND MEETINGS:

- Attendance at monthly meetings with Senior Vice-President
- Supervision of weekly meetings with department managers

For example, a store manager's job description looks like this. A store manager for 34th Street Branch of Pombo's Department Store. Who is the person who is reporting authority is senior vice president. He just go and. Positions reporting to store manager who are under him and all personnel of 34th Street store. Objectives to properly staff and operate this store. What are the duties of that?

Sales forecasting and budgeting, personnel recruitment, selection, training, motivation and evaluation. Merchandise display, inventory management and merchandise reorders. Transferring merchandise among stores, handling store receipts, preparing bank transactions, opening and closing store, reviewing customer complaints,

reviewing customer computer data forms and semiannual review of overall operations and reports for top management.

So these are some of the duties some of the tasks. Now sales forecasting and budgeting which is done by this person will also be the job of somebody senior to him. Will also be a job of the senior vice president. Whereas senior vice president's job of sales forecasting and targeting is for the whole location probably or a whole country probably.

And then the area managers are they are who are focusing on a particular area and under that area management probably this person comes up who is doing only for that particular store. So sales forecasting and targeting, this particular task is basically divided among many people in different ways.


Similarly, if I talk about let us say merchandise display, inventory management and merchandise reorders, this is something probably the store manager's job and the store personnel's job as well. So there will be people inside the personnel below the store manager who will also be responsible for this job. So one job can be shared by many people.

And there can be a hierarchy of ordering also that who will tell what to do to whom. So that has to be properly defined in a job description. What are the committees and meetings where he will be part of attending at monthly meetings with senior vice president and supervision of weekly meetings with department managers is something that.

So in the department manager meeting, he is basically chairing the meeting and in the senior vice president business meeting, he is basically part of that meeting, the senior vice president is chairing the meeting.

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Principles for Organizing a Retail Firm

- Show interest in employees
 - Monitor employee turnover, lateness, and absenteeism
 - Trace line of authority from top to bottom
 - Limit span of control
 - Empower employees
 - Delegate authority while maintaining responsibility
 - Acknowledge need for coordination and communication
 - Recognize the power of informal relationships
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What are the principles for organizing a retail firm? So you want to show interest in employees, you want this organization to be in a where employees are motivated. Monitor employee turnover, lateness and absenteeism. So you do not want your employees to be very less engaged with their work. So when they become less engaged, they become absent or late, you do not want that.

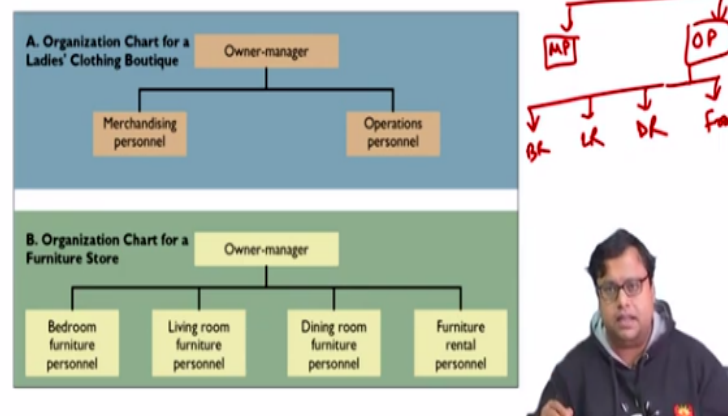
You do not also want turnover. So they get very disinterested and they leave the job, you do not want that. Trace line of authority from top to bottom. You will know exactly who reports to whom. Limit the span of control. So how much somebody can has the control you have to there should be an upper limit and lower limit of that.

Empower employees to take different decisions, delegate authority while maintaining responsibility. Acknowledge need for coordination and communication. So you want that you basically want the employees to know that the top management understands that coordination is important and one-to-one communication between the employees or among the employees probably a group communication setup, all those things are important.

Recognize the power of informal relationship. So because this is a working environment, so if everything is, formal people can work like robots. So non-robotic kind of behavior, informal relationships becomes important in a retail store a lot.

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Organization Structures Used by Small Independents



So for example, let us say if I talk about different kinds of organizational structure. There can be a owner-manager in a small ladies clothing boutique. And then there is a merchandise personnel and there is operations personnel. Merchandise personnel's job is to buying and putting it in the retail store and making sure that the products are bought and sold in the right price and the display is good and etc.

So display is something which will be common for merchandise and operations. Operations personnel's job is to see that the display is good, the customers are well serviced, the retail store is opening and closing at the right time, the displays where the fittings and pictures and etc., are very clean and very good looking, it is attractive. All these things will be part of operations personnel's job.

However, if I do it for a furniture store, there will be separate people for separate groups. For example bedroom furniture and living room furniture and dining room furniture, these are there will be different parts. So it can also be like this. That there can be a owner-manager. Under that there can be merchandise personnel and operations personnel.

And under operations personnel there are four different kinds of operations like bedroom, living room, dining room and furniture rental, that is also possible. So that is another level of, so when small independent firms are there this kind of setups are generally seen.

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Mazur Plan

- Merchandising—buying/selling, stock planning,
- Publicity—displays, event planning, advertising research
- Store management—customer service, merchandise protection, receiving
- Accounting and control—credit, expense budgeting, inventory management

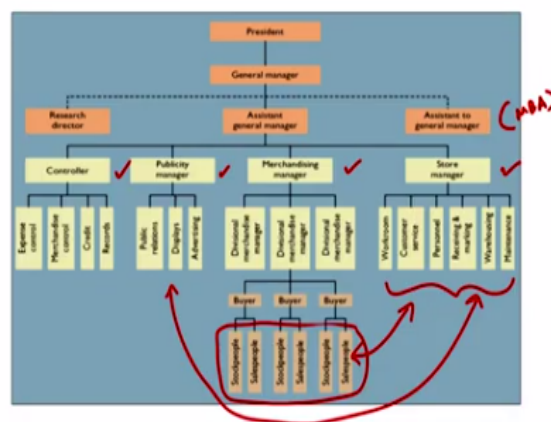


Then comes the mazur plan. What is mazur plan? So it is merchandising which is buying, selling and planning. Then comes the publicity which is displays, event planning and advertising. Then comes the store management who are basically customer service, merchandise protection and receiving. And then the backend accounting and control finance guy.

The credit, expense budgeting, inventory management. So these are four broad groups in which measure has suggested that a particular retail organization should be broken.

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The Basic Mazur Organization Plan for Department Stores



For example, see in a big departmental store there is a President, there is a General Manager. Then there is a Research Director, Assistant General Manager and assistant

to General Manager. So assistant to General Manager is basically executive assistant who is not only helping the General Manager to get his plane tickets and meeting setup and etc.

Sometimes this person actually helps in the job of the General Manager or job of the MD as well. So this is basically a very high class MBA job if you know. And then under every Assistant General Manager, let us say there are this four kinds of managers that are there, senior managers like controller, publicity manager. Controller is basically as I told backend, publicity manager is marketing team.

Merchandise Manager is person who is doing the buying and processing of this stuff and store manager is basically store operations he is handling. So under controller there is expense control, merchandise control, query, pre orders, they are different finance and accounting people who will be sitting under them. Under publicity manager there is displays, advertisement and public relations if these people comes in.

Under store manager there is somebody from workroom somebody for customer service, the personnel, the receiving and marking who just received the products and marks the, put the tags and etc. The warehouse, the maintenance this people comes up. Now you see that under these this display will probably be a part of this as well.

There can be some amount of coordination required between a publicity manager and a store manager at certain level. But publicity manager will be more generic. He will be at the top of the things. He will be managing probably 10, 15 stores. And the store manager will be probably, will be operations person who will not only be reporting, he is reporting his Assistant General Manager, but he will be in sync with the publicity manager.

He will be in sync with the controller, he will be in sync with the merchandise manager. He have to keep on talking with them. And the merchandise manager will be more in sync with the controller and the store manager, less with the publicity manager. So what is merchandise manager's job?

Divisional merchandise managers can be there and category managers can be there who will come into this picture and their major job will be basically buyer. So under them every division of merchant manager there will be buyers who will be either stocks people or salespeople. So both kind of people will be there. Now you understand this sales people will also be in sync with the store.

So these people are part of the stores jobs who are there in the store, who are working when the store is opened. And these people who are basically workroom or customer service and etc., who are basically helpers in the store, they are not exactly the persons who are running around and selling the product. These people are more like in the store, they are helping in the decorations, helping in the operations of the store.

Sometimes the sales person and this person have jobs which are interconnected. At different time periods, they do the other job as well. But that is the overall structure of a departmental store.

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Chain Retailer Organizations

- Centralized functional divisions– real estate, distribution, human resources (top management)
- Elaborate information system and management controls
- Centralization of much of buying with room to adapt to local markets



Then this structure becomes further more bigger when there are chain retail organizations. So some of the functions are centralized in chain retail organization like real estate or distribution or human resources or even finance. These are some centralized operations. And elaborate information system and management controls drives this retail organizations.

And centralization of much of buying with room to adapt to the local markets is ensured. So this merchandising part that I told you, if it is a retail chain, where multiple of these things are available, then some amount of buying will be very centralized, some amount of buying and merchandising will be very focused to the local markets' needs.

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Department Store Organization Formats

- Main store control— flagship executives oversee store units. Extreme centralization
- Separate store organization—each store buys for itself and maintains sales responsibility
- Equal store organization— buying is centralized; branch stores are sales units



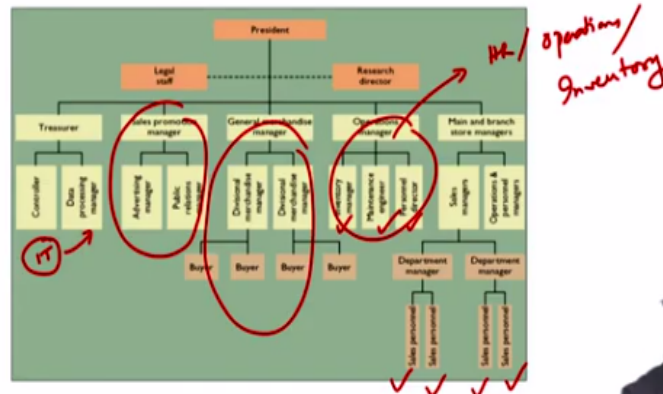
Similarly, if the departmental store organization format, there are some main store control, there are some separate store organization and there is some equal store organization. What is main store control? When the flagship executives oversee store units, where there is extreme kind of centralization. So main store basically a flagship store that is there which controls the other small stores.

Then there is something called separate store organization where each store buys for itself and maintains their sales responsibility. That kind of departmental stores chain are also available. And equal store organization is buying is centralized but branch stores are sales units. So you centrally buy and then send it to the individual stores and individual stores sell it off.

So those are the three different departmental store organizations format that is also present.

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Equal-Store Organizational Format Used by Chain Stores



For example, let us talk about this one. So there is a chain store as I told. So there will be a president, there will be legal staff, research director. And then you see there is treasurer. Treasurer is basically Controller and data process manager. This will be, the IT team can also be part of this which is data processing manager which is centralized. Similarly sales promotion manager, advertisement manager, these are centralized.

General merchandise manager has divisional merchandise manager. So these are basically more I would say centralized again, centralized buying. But when I come to operations manager we talked about, so there will be inventory, maintenance, personnel director those are their operations. This can be centralized, this can be a little bit of personnel at least can be decentralized, but these are HR and operations probably.

HR, operations, inventory, these are stuff, these are all centralized. But this is absolutely decentralized. The main and branch store operations. So in each branch there will be departmental managers or sales managers for each branch. And there in the department manager, there will be sales persons separately. So in normal context, these sales persons used to come under these buyers.

But in a departmental store chain format basically these sales persons will be coming under the branch manager separately, not under the buyer.

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The Organizational Structure of Kroger



For example, let us talk about this Kroger. It is a classic example. What is the retail store format? The Chairman of the Board and Chief Executive Officer, Vice Chairman, President, that comes in the senior management. Then there is Executive Vice President and etc., for each of the centralized operations are there.

Then under the major retail units there is supermarket, there is warehouse stores, supercenters, convenience stores and jewelry stores, different kinds of the operating unit stores are there. And each of them has different brands for their different merchandise managers, different sales persons are there who will be selling them. And there will be separate operations people who will be part of it.

So these are this is very important. Because based on this organizational hierarchy setup that you are drawing, based on that the jobs and tasks will be divided. And who has the responsibility, who is the reporting authority, who is the authority of giving you the annual appreciation or annual evaluation of the employees, who will be doing, how the rewards will be shared, all of these things will depend on this organizational structure.

Whether it will be a flat organization or a hierarchical organization or how much control how much employee empowerment will be there, this will be all part of this organizational structure. We are giving just basic details. If somebody wants to know more about it how this organization should work, they should do a full course on organizational behavior.

So we will stop here with this particular lecture and in the next lecture we will be discussing about the HR issues. We talked about more of an OB issues, organizational behavior issues in the context of a retail store. We will talk about the HR issues as we go ahead in the next lecture. Thank you very much. I will see you in the next lecture.