

Retail Management
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Lecture – 26
Retail Operations Management

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 week 5 and we will be discussing in this particular lecture retail operations management. So, in this particular week we are discussing about retail supply chain and operations while supply chain is related to staff which is outside the retailing activity.

Which comes I would say majorly focus probably on the activities which is done before the retailing is done and also some of the activities which is related to the delivery of the product, which is done after the retailing is done. But here in the operations management, we will be discussing about staff that we do, while in the retail space while doing the retail. So, this is more of an inside story of our retail activity. So, what is operations management?

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Operations Management

Operations management is the efficient and effective implementation of the policies and tasks that satisfy a retailer's customers, employees, and management (and stockholders, if publicly owned).

Operations Management is the efficient and effective implementation of the policies and tasks that satisfy a retailer's customers, employees and management and also stockholders in publicly owned. So, stockholders mean here basically the shareholders I am talking about. So, it will be all the activity implementations of policies and tasks. So, these are done inside the organization and the major goal is to make people happy.

Whom to happy? All your stakeholders. Stakeholders include your customers, stakeholders include your employees, your shareholders who are looking ahead for the profitability of the organization, so everybody has to be happy. So now when I am talking about efficient and effective tasks, what is efficient? Efficient means something that will actually give high ROI and effective is something that will give very good result.

So, if a very good result is something which makes our particular task effective. And when the cost of doing that staff is also lower or you not only focus on the outcome, but also focus on the input and the output by input ratio is something that you are trying to maximize that is something which we call as efficient method. So, you have to focus on both type of task, you have to make sure that your outcome is very big.

If your outcome is very small and the input is further small that kind of an activity is not very prominent, not very important because see even if it is really giving very good ROI, ultimately the outcome is very small. So, outcome has to be big enough, after you find out the outcome is big enough, you have to focus on how to increase the output by input ratio, so that is the major goal of operations management.

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The slide is titled "Operational Decisions (1 of 3)" in red text. In the top right corner, there is a handwritten note in red ink that says "Footfall of customers → Predict". The slide contains a bulleted list of three questions related to retail operations. In the bottom right corner, there is a small, square headshot of a man with dark hair and glasses, wearing a yellow shirt.

Operational Decisions (1 of 3)

Footfall of customers → Predict

- What operating guidelines are used?
- What is the optimal format and size of a store?
What is the relationship between shelf space, shelf location, and sales for each item in the store?
- How can personnel be matched to customer traffic flows? Would increased staffing improve or reduce productivity? What impact does self-service have on sales?

So in the retail context, we should discuss about what are the operational decisions that we take? So, what kind of day-to-day task wise or policy wise decisions that we take? So first decision is what operating guidelines are used? So, we generally we create a guideline, a

blueprint we will call it, we will talk about that as we come ahead, which will basically document all the states including what happens when the product comes?

How to order the products? What happens when the product comes? How to put it in the inventory? What will be the tags? What will be the nomenclature? How and when the customer comes what will be the standard operating procedures? How we will check him? How will you greet him in the door? How the customers will be treated when he comes in? In a particular store in different sections, how the customers will be treated?

How the billing will be done? Whether the help will be given when the customer is doing the shopping? So, every step that while you can help a customer, every step or every staff that you do that will after implementation that will ultimately result in effective or efficient outcome that is something that is documented. So, after documentation, it is called the operating guidelines. So, what is the operating guidelines that can be used and this is a very broad question.

In that broad question there will be small parts and each of the parts should be interconnected. You should not have a very strong inventory management system in terms of the operational guidelines or very bad financial management system or very bad let us say stocking system or let us say not stocking, sources sourcing system. So, if the sourcing system is not very strong, but the inventory management is very strong, it will fall apart.

So, every operating guideline should be interconnected with each other. What is the operating format and size of a store? So, this is a broad strategy guideline that your writing. So, we discussed about how to decide on the operating format like there are different optimal formats that are different formats that are there. Which one are you choosing? What is the size you are choosing? So, what is the relationship between shelf space, shelf location and sales for each item in the source? So, now this is a mathematical activity.

So, you write basically sales as a function of shelf space and shelf location. So, one thing is very easy to say that the more shelf space is given to a particular product, the larger will be the sales, this is very basic. There is no discussion on that. But whether the shelf location and shelf space have a particular role in that? So, for example it has been seen in consumer

behaviour the kind of analysis that whenever I put, so this is a consumer who is standing and let us say the shelf is a little bit longer than the person.

So, more sales will happen in this direction, this is the place where the, sales happen the most. Now, this is the space which is like these products are considered as aspirational products by the customers. And these products are some products which are basically pull products. These customers will anyway purchase, these are basically day to day products. This is what customers come to buy in general. So, these are the locational things that are there.

So, based on what location this particular retail store is, we will discuss about that in the retail scape or retail merchandise planning or retail scape planning a lot in further detail, but the location in where product you are keeping has an impact on sales. And not only that, now that you know that in the average height there will be most number of sales which is the in the eye level. Now, will it be like that if I increase the shelf space in the eye level, then that will increase the sales further?

So, there is an upper limit in terms of the eye level. So, we generally have this pyramid kind of a vision. So bottom, we can see this much, eye level we can see this much and height we can see this much. So, it is easier for a customer to look down like this, but it is difficult for a customer to look up like this. So, when I am looking up to check the aspirational products, I will only focus on the one that is in front of my eye, I will not focus on this direction or that direction.

However, in the eye direction I have more or less quite a bit of space, in the lower part I can see, generally it has been seen that the consumer ergonomically or physically it is easier for a consumer to see a lot. So that is why the shelf space context that we are talking about, yeah the more the shelf space the better, but the effective of this shelf space will also be I would say have an interaction with the location.

So, when the location of the shelf, the product is located at the bottom shelf, then the more shelf space will give higher impact on the sales. In the middle part the impact of shelf space will come down a little bit and in the top the impact of shelf space will further come down.

So, these are some of the things that can be found out using customer research. How can personnel be matched to customer traffic flows? So this is another very important problem.

Would increased staffing improve or reduce productivity? What impact does self-service have on sales? So, this is a very important activity. So, this is related to whether you want to staff your retail store enough, so that comes from the first basic thing that comes from it is the footfall prediction. So, you have to predict the footfall in the customer, footfall of customers that you will try to predict.

So, based on that, based on the arrival rate of the customers, you can assume that if these many customers are coming in my retail store, how many retail personnel I will be required in the floor? How many will be there in the checkout centre? In fact, how many checkout centre should remain open? How many security personnel in the gate should be there? So, these are all activities that you generally want to guess and these are mathematical activities.

Again, in operation management course this will be taught in further depth, those who are doing MBA or those who wants to know about this particular part in further depth should go and study operations management or operations research, but in short these are very important activities. And what impact does self-service have on sales? This is where the operations management and service management come together.

So, I know that there are lots of footfall happening, but I may not be able to keep up with that kind of footfall with lots of customers, lots of employees because employees will have their own costs, then what will I do? Should I let the customers not have any service or should I keep certain other options like self-service options? So if you have self-service option like self-checkout options or self-searching options, where there is I would say a technology based dashboard is given?

And people can search the products and the location of the product inside a huge retail store. They can search the product and know that in which number aisle which product is there from that particular list. The customers can also know that what kind of offers are going on or what kind of competing products are there for this particular product. So, if you have that kind of a facility, which is a self-service facility, you can reduce the footfalls or you can probably reduce the requirement of employees.

Similar things are done in other industries also. For example, banking you know, so why did the ATMs come in? The ATMs came in because you know that most of the customers come to the bank to withdraw or deposit cash. Now, if that is the major work and majorly to withdraw cash, if that is the major job that our customers do, I can easily reduce the footfall inside the bank by putting up ATMs which is the self-service kind of I would say technology.

So how did that impact sales? Does that increase the number of transactions inside the retail store or does that create a drop? So that is also important. What level of self-service technology you will put and for which kind of customers? Let us if your customers are majorly the older generation who are not technology savvy as of now, you have to choose the technology that you are giving based on the customer base that you have.

You cannot give very high five very high-end technology to a customer base which is predominantly not customer technology savvy or even if they are technology savvy, they are not as savvy as you are looking for or as savvy as the product or service in the self-service facilities that you are providing. So, that balance should be there, otherwise it is going to impact the sales.

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Operational Decisions (2 of 3)

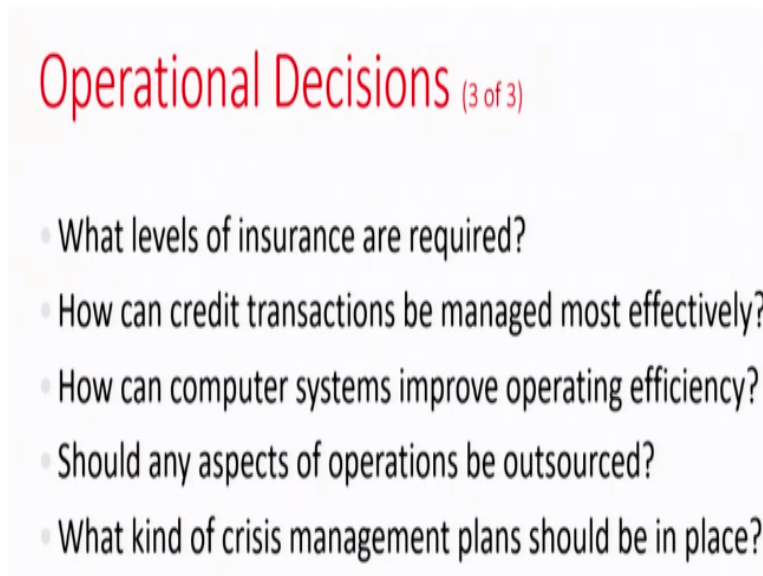
- What effect does the use of various building materials have on store maintenance? How can energy costs be better controlled? How often should facilities be renovated?
- How can inventory best be managed?
- How can the personal safety of shoppers and employees be ensured?

The more such decisions for example what effect does the use of various bundling materials have on store maintenance? So, how can energy cost to be controlled? How often should facilities be renovated? So, these are all related to environment, is all related to carbon footprint. So, how you can ensure that those kinds of stuff are taken care of? How you are

doing a green retailing? How we are ensuring that you are having less number of waste which will create because bundling or packaging materials will create ultimately wastes.

So how to manage those wastes is also an important factor that an operational manager or operational decision maker should take into account. How can inventory best be managed? This is a very important factor and I will come to that in a little bit. How can the personal safety of shoppers and employees be ensured?

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The slide is titled "Operational Decisions (3 of 3)" in red text. Below the title, there is a list of five bullet points, each preceded by a red circular icon. The bullet points are: "What levels of insurance are required?", "How can credit transactions be managed most effectively?", "How can computer systems improve operating efficiency?", "Should any aspects of operations be outsourced?", and "What kind of crisis management plans should be in place?".

- What levels of insurance are required?
- How can credit transactions be managed most effectively?
- How can computer systems improve operating efficiency?
- Should any aspects of operations be outsourced?
- What kind of crisis management plans should be in place?

What level of insurance are required? How can credit transactions be managed most effectively? So how much to give credit? How can computer systems improve operating efficiency? And how much of outsourcing should be done? How should the crisis management be done? These are all important decisions. So, each of decisions have multiple facets in it. It is not; none of these decisions are easy decisions and that is why the operational guideline which ultimately we will try to cover all these decisions one by one, one at a time should be focused on separately. For example, let me talk about the inventory.

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Operations Blueprint

An **operations blueprint** systematically lists all the operating functions to be performed, their characteristics, and their timing.

The retailer specifies, in detail, every operating function from the store's opening to closing – and those responsible for them.

So, now all these decisions are generally written properly in this operational blueprint. What is an operational blueprint? An operations blueprint systematically lists all operating functions to be performed, their characteristics and their time. So, it basically lists down whatever activities that you have to do, so whatever operational guidelines that you have in a document. A document that lists all these is called operational blueprint.

The retailer specifies in detail, every operating function from the stores opening to closing and who is responsible for them. So, the person who is responsible of the act, how that act has to be done, when to be done, what is the requirement of that particular act, everything is detailed in this document.

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Elements of an Operations Blueprint

- Customer actions– customer steps taken as part of service delivery
- Onstage/visible contact employee actions– face-to-face encounters with the customer
- Backstage/employee actions– not-face-to-face with consumers
- Support processes– necessary functions crucial to carrying out the services
- Physical evidence– tangibles that customers are exposed to during contact with the retailer

Now, there are lots of elements in the document. For example, what are the customer actions. So, as I was talking about the customer guidelines or when it is written customer blueprint, so a customer comes into your retail store, how will you greet him? Whether he will do a security check or not. Whether he will smile and say namaste or not? Whether he will do certain frisking or not?

Customer now comes from the interstage towards the retailer, whether he will stop and ask him to drop the bag or not? Whether when somebody dumps the bag whether he will give them the token? So, every activity, every small activity has to be listed down. Why it is has to be listed on so that a new employee when he comes in and does the job, the employee has an idea that what kind of activities has to be done. What is the responsibility?

Which part is whose responsibility? The person who is in baggage centre or safekeeping centre should not say that this is the security's responsibility to put the bag, not mine or vice versa the security person should not say that this is the baggage guy's responsibility to collect the bag, not mine. So, that sinking should be documented that exactly what will be the job the security person and what will be the job of the person who is doing the baggage.

How he will keep the baggage inside baggage centre also that should be listed. Whether the big baggage should be put it in the floor or inside any box and how the numbers will be given and what kind of checks the person will do when he delivers back the baggage? What kind of products or baggage the baggage person will keep? All those details should be listed. Similarly, when the customer comes and browses through various retail merchandisers then whether somebody will come in?

Whether somebody will help that particular customer, whether they will greet the customer, what kind of information will be given exactly if information is being sought and when is the right time to leave the customer? That okay we let the customer do their own work. So, all everything, so when you come to this I would say in the check in counter, what will be the first message that the person in the checkout counter will do?

Next billing counter, what kind of message that that particular person will give? And then what kind of services will be provided? So, everything will be detailed in the customer actions. Now, next comes is onstage visible contact employees actions, like face-to-face

encounters with the customer. So, how face-to-face encounters will be done? Backstage employee's action, so those people who are in backstage.

For example, let us say people who are doing the tailoring in an apparel retail store or people who are doing the stocking, people who are putting the products on the shelf who are basically working when the retail store is getting ready to be opened. So, at that time we will find out lots of people come, they will put products from the inventory and put that in the shelf and all the expired products they will send it off and they will add on the product in certain ways as the customers like I would say the way the products or food.

So, what will be their job should be listed. Support processes. For example, if you are a person who is helping in the delivery activity. You are basically Amazon's delivery partner or Zomato delivery partner, then exactly what are the activities that you have to do? How he will greet? How will you deliver? What will be your standard operating procedures should be listed? Physical evidence like tangible that customers are exposed to during contact with the our.

For example, what kinds of physical evidence are important in the retail store? Let us say I talk about directions let us say or any kind of signboards or the changing rooms, how the changing rooms will be lit? How that will be cleaned? Or what will be the procedure inside the changing room? Well, how many dresses you can take 4 dresses of 6 dresses or 10 dresses. So, all those things should be listed in the operational blueprint.

Now what can be the advantage of that? Why will you require that? Because the more it is documented, you will see that it is often becomes very difficult to know that what is exactly required and these retail employees might not be a person who know about customer psychology, they might know our customer psychology, but they know about customer psychology over experience. When the new person comes in, he might not have any idea.

So to have a standard operating procedure in multiple retail chains that you have, you should create this kind of a blueprint. So why do not we do a small activity after this particular slide. It is that you stop this particular video here and you should probably try to write let us say if you are a small grocery retail store. So it is a small grocery retail store, 1000 square feet area

and it is located inside a residential complex where customers can come and go inside the retail store.

The 1000 square feet is quite big so that customers can go inside and search their products. So, this kind of a retail store, you can think about let us say Aditya Birla More or let us say even Heritage, small Heritage store, not the big ones which is 2-3 floors not like that, one single floor Heritage store, let us say 1000 to 2000 square feet, what will be this particular retail store's operating procedure? So, from opening to closing exactly what are the jobs that are there?

Who will do that? How will that be done? So, if you can write down, for example preopening, opening, first customer arrives, next the whole procedure. What will, be the procedure of when there is basically switching between one group of employees to another group of employees. So, try to write out in a PPT format, not in a text format, in a PPT format. You try to write down that what are the operating procedures that you want.

And then open a discussion forum, we will discuss in Chainer. Do not open a new one. If there is already existing discussion chain, go and post in that discussion chain and then compare with other participant's, I would say, submissions that how your operating guideline is basically; did you miss something as simple as that. If you check yours with somebody else's and then in compare and contrast with each other, you will have an idea that what more can be added.

So there are so many small things that are there in this operating guideline thing. There is no standard format; every company will have their own operating guidelines. And this operating guideline keeps on improving over time based on new situations, based on new problems that retailing spaces face in different contexts, in different cultures, different locations. So, this will keep on improving. So, you have to study other people's operating guideline and get an idea.

Now operating guidelines are not something which are available free flowingly outside in the market. So, either you should have a contact inside your competitor stores or some other stores to get an operating idea or you have to create on your own, you have to brainstorm on

your own. So, I am asking you to do the second thing, brainstorm on your own, try to find out what are the standard operating procedures that you can think about for your retail store.

Contrast it with your coparticipants, I would say operating blueprints idea and from there you will get an idea that how we can improve the operating blueprint. So, as I stop here in the operating blueprint, in the next video in the next classes, we will discuss about all these 3-4 things that we mentioned about. Under the operations management domain, we will discuss about the inventory management, insurance management, crisis management, credit management, security management.

And also what should be the optimal size and format, how to decide that. So, these are some operational decisions, how to take these multiple decisions we will discuss about that because based on these decisions, this operation blueprint will be created at the end of the day. So, let us come to those particular topics in the next video. Thank you very much. I will see in the next video.