

## **CHAPTER II**

### **RETAIL STORE OPERATIONS**

#### **2.1 Introduction**

In retail businesses, there are many industry segments such as department stores, discount stores, convenience stores, etc. (differences in industry segments cause differences in major customers). For instance, a chain of convenience stores has many small shops in many different areas, operating 24 hours a day everyday to meet the customers' convenience. Despite the concept of providing convenience to customers, their major customers are teenagers-who are apt to purchase new products quickly. Others have in mind the items to buy while some may wonder around before deciding. Hence, a variety of products must be available for the customers' needs. There are four critical success factors which must be maintained at store level as described in the next topic.

#### **2.2 Critical Success Factors of Convenience Store**

The four critical success factors which must be maintained at store level are freshness, merchandising, cleanliness, and friendliness.

##### **1) Freshness**

The freshness of the products is very important for convenience stores. A group of customers may come to a convenience store to buy items that can be consumed or used immediately. The freshness of the food items ready to be eaten is the most important because its product life is very short. The key in making the convenience store different from other industry segments is the display of fresh products. In order to achieve this factor, the store is required

to hold the inventory down to the bare minimum and increase the merchandise turnover rate.

## **2) Merchandising**

Product management for convenience stores is very complicated but can be the key success of the business. As mentioned previously, the major customers of convenience stores are teenagers who are inclined quickly to purchase new products. In order to support this kind of consumer behavior, it requires the active introduction of new products ahead of the competitors. Considering the sales area, a convenience store has very small sales floor while required to have the appropriate variety of products in order to support the various needs of the customers. However, due to the limited area, an assortment must be focused from the perspective of convenience in daily lives. As equally important as having appropriate variety of products, maintaining the availability of such is a significant merchandising work. Product unavailability results in loss of opportunity and a serious decline in store revenue.

## **3) Cleanliness**

Cleanliness has become a uniqueness in all convenience stores. Since the business is operating around the clock the whole year round, cleaning such things as merchandises, equipment, machines, and surroundings are done during operating hours.

## **4) Friendliness**

Generally, the frequency of patronization is associated with the assortment of items available. However, friendly service can increase the frequency of patronization. An example of friendly service is simply greeting every customer with a “ Welcome ” and “ Thank you ” for using the service.

## **2.3 Operation of Convenience Store**

To do well in this business, there are nine important store functions to be followed :

### ***1) Ordering***

Ordering is one of the key successes of this business. In order to make an effective order, many resources such as know-how, tools, forecasting techniques, historical information, product information, environmental information, man-hour, etc.. are required. Ordering starts from delegating the task to the store employees and assigning them to complete count/order forms before determining the fast selling items through an ABC analysis. Then calculate the order quantity by using some equations and place the order out to the distribution center. Finally the staff have to verify delivery by comparing the actual quantity of products delivered and the quantity ordered and adjust count/order forms as necessary and place order to the distribution center.

### ***2) Assortment***

At convenience stores, there are around two thousands items displayed on the shelves. However, some products that do not sell make absolutely no contribution to increase sales or store loyalty. On the other hand, they act to preclude fast-moving products. Having an assortment of products makes the store more familiar and increases sales volume. Furthermore, adding or taking certain items out are done under the consideration of seasonal and holiday opportunities. Product assortment consists of new products introduction and slow-moving product cut. This function requires accurate and thorough analysis.

### **3) Product Display Management**

Purchasing can not occur if the customer can not see or reach the product. A good product display will increase sales opportunity while a poor product display will decrease sales opportunity. The products should be displayed at the right place, time, quality and quantity. For example, fast selling merchandises should be displayed at an eye level, closest to the door handle, or toward the sales counter for easy access. This function requires certain techniques and experiences of the staff.

### **4) Information Collection**

Many functions in the store will be done effectively if there are appropriate information. This requires the store to collect information on ;

- **Store's Customer Base**

Collect trade area information (for example, from lottery commission, Chamber of Commerce, government agencies) and drive the trade area to identify traffic generators (for example, schools, businesses, recreational areas).

- **The Store**

The store should actively interact with customers to solicit feedback on the store's operations and products, and usually update the store's profile.

- **Weather and Future Events**

Select a source for weather forecast and future events such as from newspapers, radio station, and weather service forecasts. Record this data on the calendar for future reference.

- **Competitors**

Identify potential competitors and visit them to collect information on pricing, product display, product assortment, speed of services, environment, etc..

- **Products**

Collect sales data from the count/order forms (record on-hands, deliveries, transfers, write-offs, sales, and orders). These information are useful for sales forecasting.

### ***5) Human Resources***

Since the store is operated by humans, it is essential to have efficient and sufficient staff. Human resources management consists of recruitment, selection, training and developing, job assignment, motivation, share information and performance feedback. etc..

### ***6) Service***

The objective of convenience stores is to provide convenience to the customers' daily lives. Customers visiting the store will spend a few minutes shopping. The service in convenience stores must be able to satisfy this requirement by providing quick, right, polite and friendly service. This function requires good planning, training and management. Some techniques used such as labor forecasting process may be applied. Of the utmost importance is that the staff should have service minds.

### ***7) Environment***

The environment of the store is of no lesser importance to the customers. Cleanliness and tidiness both inside and outside the store should be strictly maintained. Likewise, the food handling procedures and hygiene are to be considered as well as robbery prevention and safety precautions.

### ***8) Regulations & Obligations***

The chain of convenience stores has many small shops in various areas, operating 24 hours a day and 365 days a year. The store must understand the rules, regulations and obligations of the company, the society, the government, etc. and operate in line with the government regulations and contractual obligations in order to avoid mistakes. Observing the regulations and obligations will enhance the store's image in the community.

### ***9) Financial Performance***

The financial performance report must be done correctly in order to know the status of the store. It is the responsibility of the store to perform and submit accurate paperwork on time. The result showed in the report will be used as a guideline to improve financial performance of each individual store.

## **2.4 Performance Measurements of Convenience Store Operations**

The performance of retail store operations may be measured by many ways. The bottom line of the business is profit from the sales volume. Purchasing will occur if the store has the right products, displayed at the right place, at the right time. Furthermore, the satisfaction of the customer which is generated by good service is an important factor creating sales. However, maintaining product availability and good service must be balanced with costs, especially inventory costs. By this assumption, the performance of retail store operations should be measured by service quality and inventory level.

### ***1) Service Quality***

The service quality of convenience stores identifies the level of customers' satisfaction. One of the key successes of business is brand loyalty,



and it is usually generated by good service quality. Service quality depends on many factors as follows:

- **Service Level**

The need of the customer who comes to a retail store is to buy two kinds of products. First is the products they have in mind to purchase before coming to the store and the other is the products they may decide to purchase after facing them. In any case these two kinds of products could be purchased only if they are available at the shelf. One of the criteria for measuring the retail store operations should be the proportion of time the item is available in the store when needed called "Service level". The store which has high service level means that store has most kinds of products sold and available at all times. In order to have high service level, the staff will try to protect against goods shortages.

- **Service Speed**

Service speed is identified by the operating time per transaction. Most customers of convenience stores like to spend little time to be served, especially at the check out. High service speed will generate high customers' satisfaction for this target group (the more customer's waiting time, the low service speed). If other factors of two convenience stores are about the same, the decision point of the customers may be the speed of services.

- **Service Accuracy**

Service accuracy such as price calculation will directly impact the level of customers' satisfaction. The speed and accuracy of using Electronic Cash Register (ECR) depend on the skills of the cashier. The mistake of price calculation will upset the customers and damage the image of the store. Furthermore, service speed will be decreased if accuracy is low.

## **2) Inventory level**

An easy way to have high service level is to order a large quantity of products to avoid goods shortages. By this procedure, it requires a large investment in inventory that will decrease the performance of the store. The cost of inventory includes cost of goods, cost of handling, cost of storage, etc. One of the criteria for measuring retail store operations should be the average level of the amount of that item over a period of time called “Inventory level”. The higher inventory level, the higher investment level.

To improve the performance of retail store operations, many tools or systems are applied to this business. One which is widely used for this purpose is Point of Sales (POS) system. It is the use of automated equipment at the sales point to improve the quality of service and capture sales data in order to improve operation performances.

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