



Human Resource Management

CHAPTER 9

Retailing Strategy

Retail Market Strategy

Financial Strategy

Retail Locations

Retail Site Location

Human Resource Management

Information Systems and Supply Chain Management

Customer Relationship Management

- In what way does the management of human resources play a vital role in a retailer's performance?
- How do retailers build a sustainable competitive advantage by developing and managing their human resources?
- What activities do retail employees undertake, and how are they typically organized?
- How does a retailer coordinate employees' activities, and motivate them to work toward the retailer's goals?
- What are the human resource management programs for building a committed workforce?
- How do retailers manage diversity among their employees?

Gaining Competitive Advantage through Human Resource Management

Why does human resource management give a sustainable competitive advantage?

- Labor costs account for a significant percentage of a retailer's total expenses
- The customer experiences are determined by the activities of employees (selecting merchandise, providing information and assistance, etc.)
- These potential advantages are difficult for competitors to duplicate

Objectives of Human Resource Management

- Short Term
 - Increasing Employee Productivity
 - Productivity = Sales/ Number of Employees
 - Long-Term
 - Employee attitude → customer satisfaction and loyalty → long-term performance
 - Increasing Employee Satisfaction → Reducing Turnover
 - Employee turnover
- = # of employees leaving their job during the year
of positions

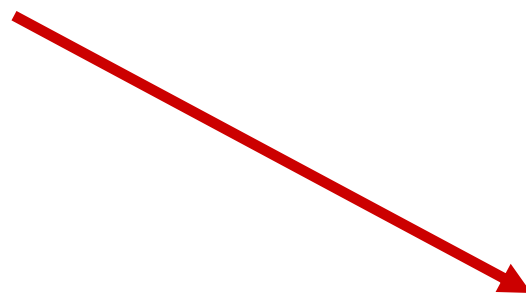
Human Resource Management Challenges in Retailing

Work Environment

- Open Long Hours
- Peak Sales Periods
- Emphasis on Cost Control

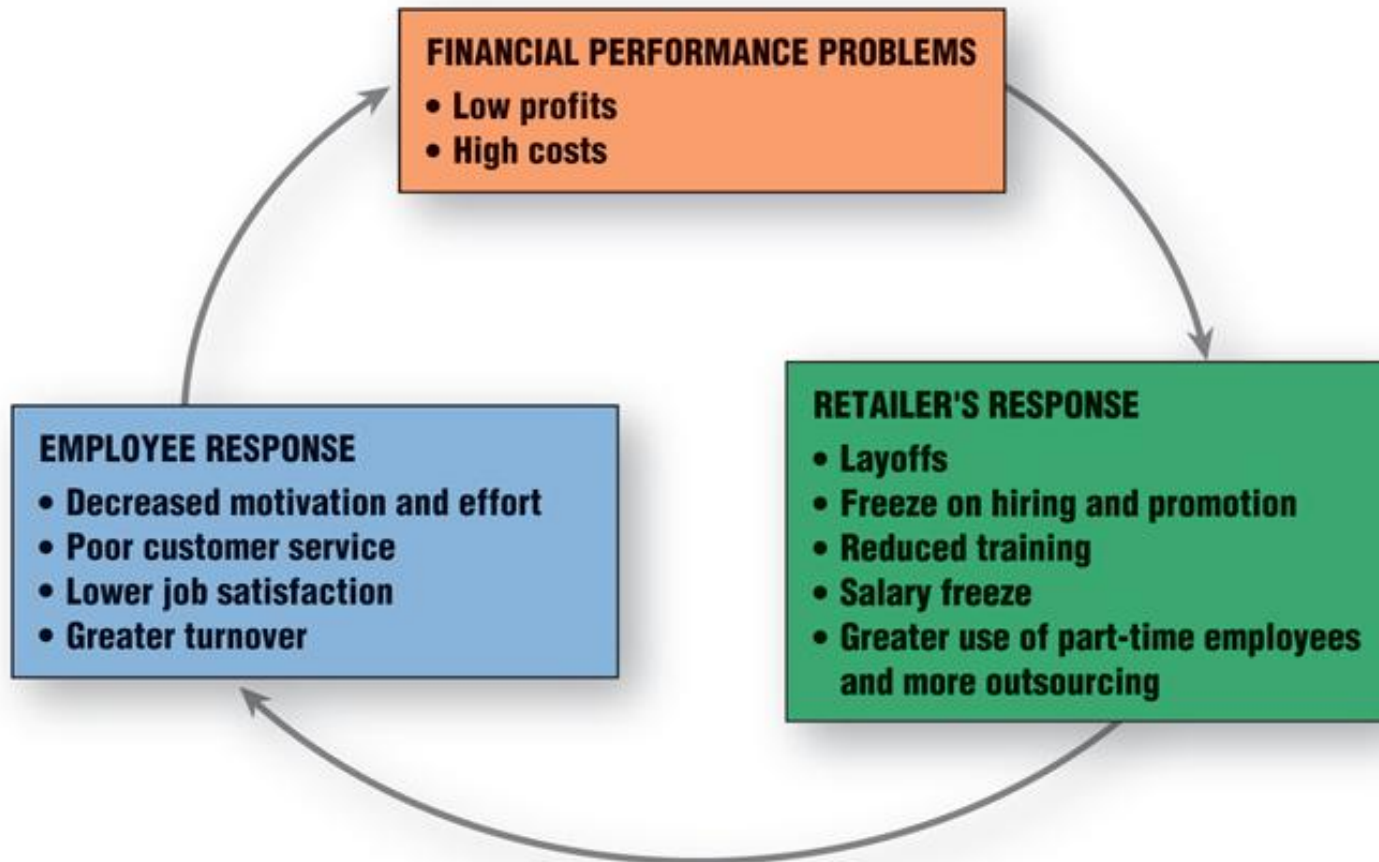
Employees

- Unskilled
- Part-Time
- Diverse Backgrounds

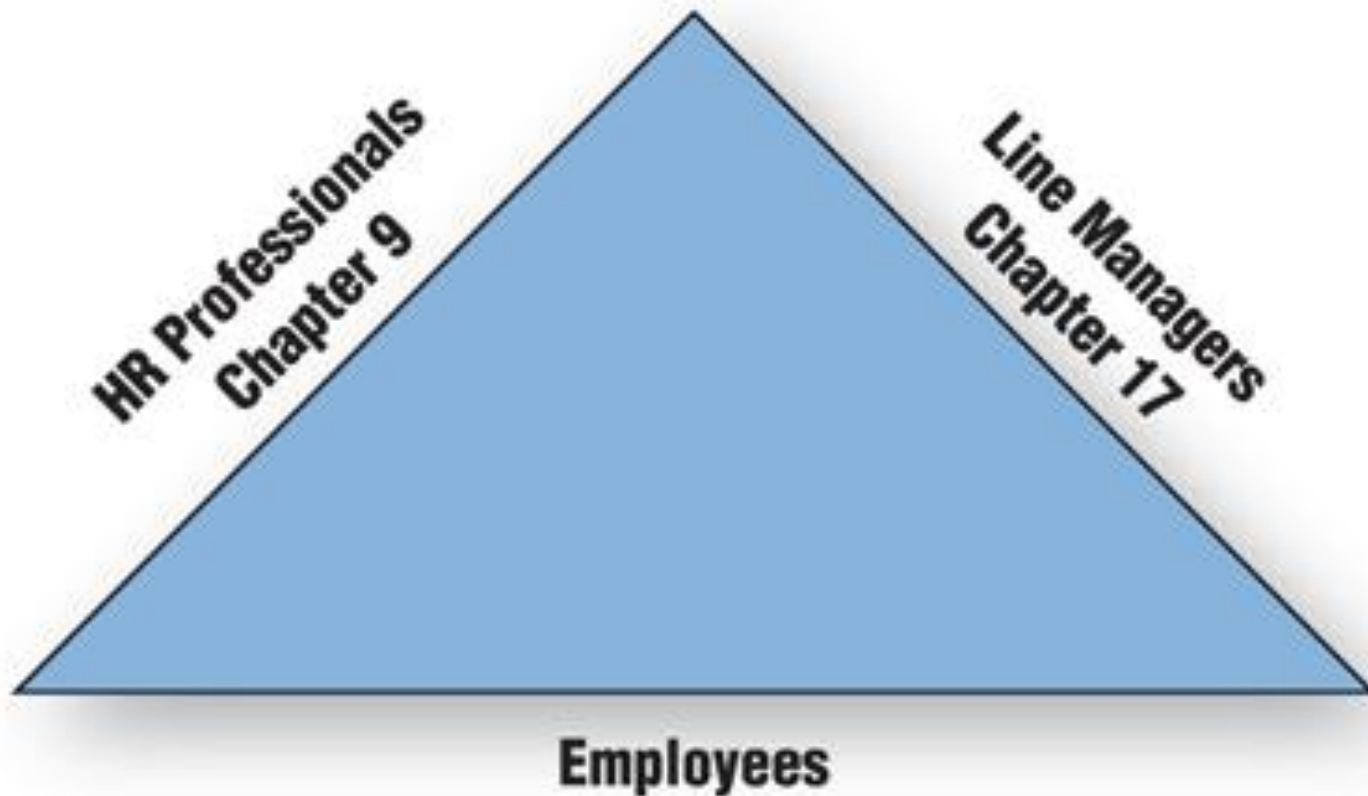


High Turnover

Downward Performance Spiral



Human Resource Triad



Issues in Retail Human Resource Management

- Expense Control
- Part-Time Employees
- Utilizing Diverse Employee Groups
- International Human Resource Issues



Increasing Workforce Diversity

- Workforce employing more minorities, handicapped people, and the elderly
- Older workers are more reliable than younger workers
- Cost effective as training and recruitment costs are low



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- Organizational structure
 - Identifies the activities to be performed by specific employees, and determines the lines of authority and responsibility in the firm

Strategic Management Tasks Performed in a Retail Firm

STRATEGIC MANAGEMENT

- **Develop overall retail strategy**
- **Identify the target market**
- **Determine the retail format**
- **Design organizational structure**
- **Develop private-label merchandise**
- **Develop Internet/catalog strategy**
- **Develop global strategy**

Merchandise Management Tasks Performed in a Retail Firm

MERCHANDISE MANAGEMENT

- **Buy merchandise**
 - **Select, negotiate with, and evaluate vendors**
 - **Select merchandise**
 - **Place orders**
- **Control merchandise inventory**
 - **Develop merchandise budget plans**
 - **Allocate merchandise to stores**
 - **Review open-to-buy and stock positions**
- **Price merchandise**
 - **Set initial prices**
 - **Adjust prices**

Store Management Tasks Performed in a Retail Firm

STORE MANAGEMENT

- **Recruit, hire, and train store personnel**
- **Plan labor schedules**
- **Evaluate store and personnel performance**
- **Maintain store facilities**
- **Locate and display merchandise**
- **Sell merchandise to customers**
- **Repair and alter merchandise**
- **Provide services such as gift wrapping and delivery**
- **Handle customer complaints**
- **Take physical inventory**
- **Prevent inventory shrinkage**

Administrative Management Tasks Performed in a Retail Firm

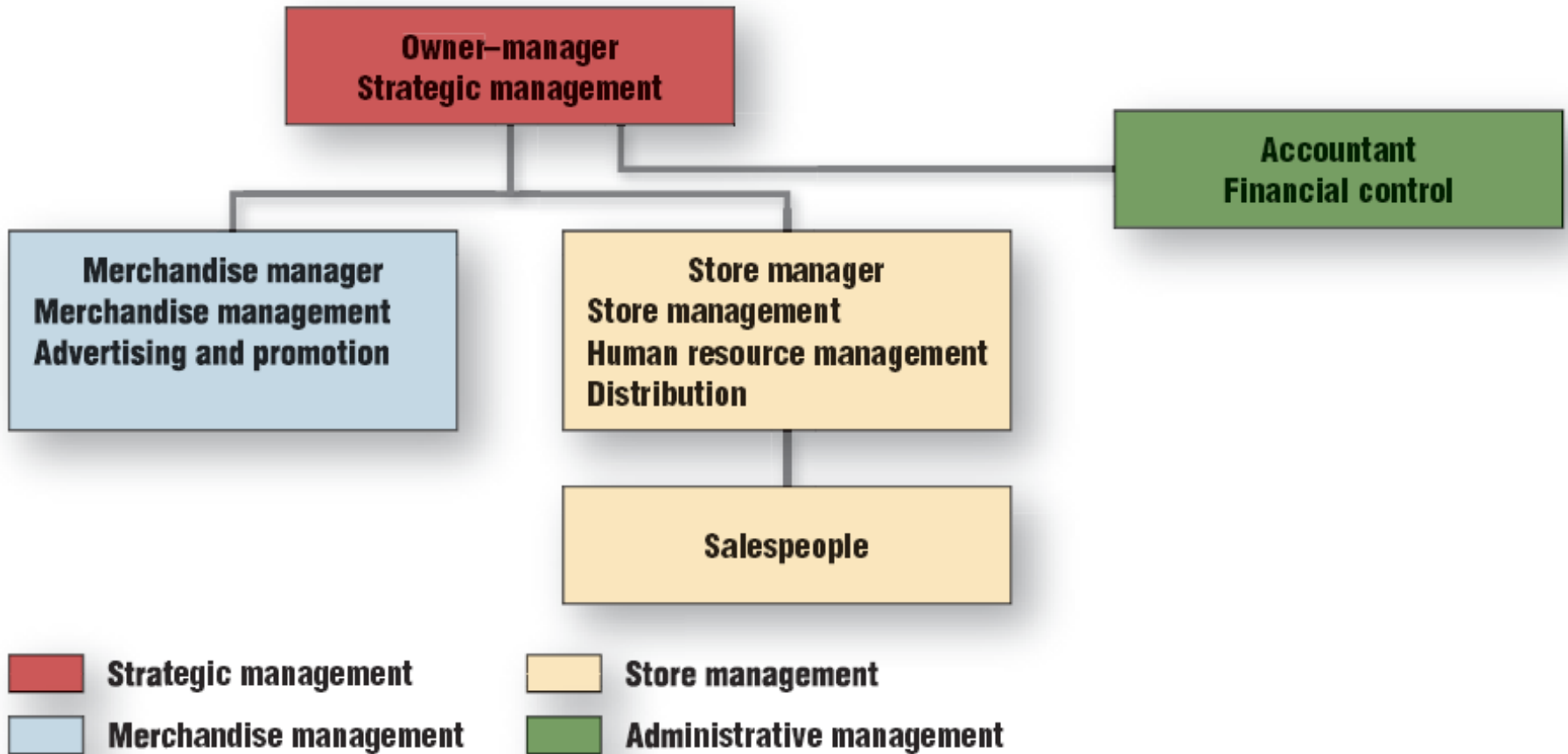
ADMINISTRATIVE MANAGEMENT

- **Marketing**
 - Promote the firm, its merchandise, and its services
 - Plan communication programs including advertising
 - Plan special promotions and events
 - Manage public relations
- **Manage human resources**
 - Develop policies for managing store personnel
 - Recruit, hire, and train managers
 - Keep employee records
- **Manage supply chain**
 - Receive merchandise
 - Store merchandise
 - Ship merchandise to stores
 - Return merchandise to vendors
- **Manage financial performance**
 - Provide timely information on financial performance
 - Forecast sales, cash flow, and profits
 - Raise capital from investors
 - Select and manage locations (real estate)
- **Visual Merchandising**
 - Develop and coordinate displays in stores and windows
- **Management Information Systems**
 - Work with all functional areas to develop and operate information systems for merchandising, marketing, accounting, finance, etc.
- **General counsel**
 - Work with all functional areas to be in compliance with laws and regulations

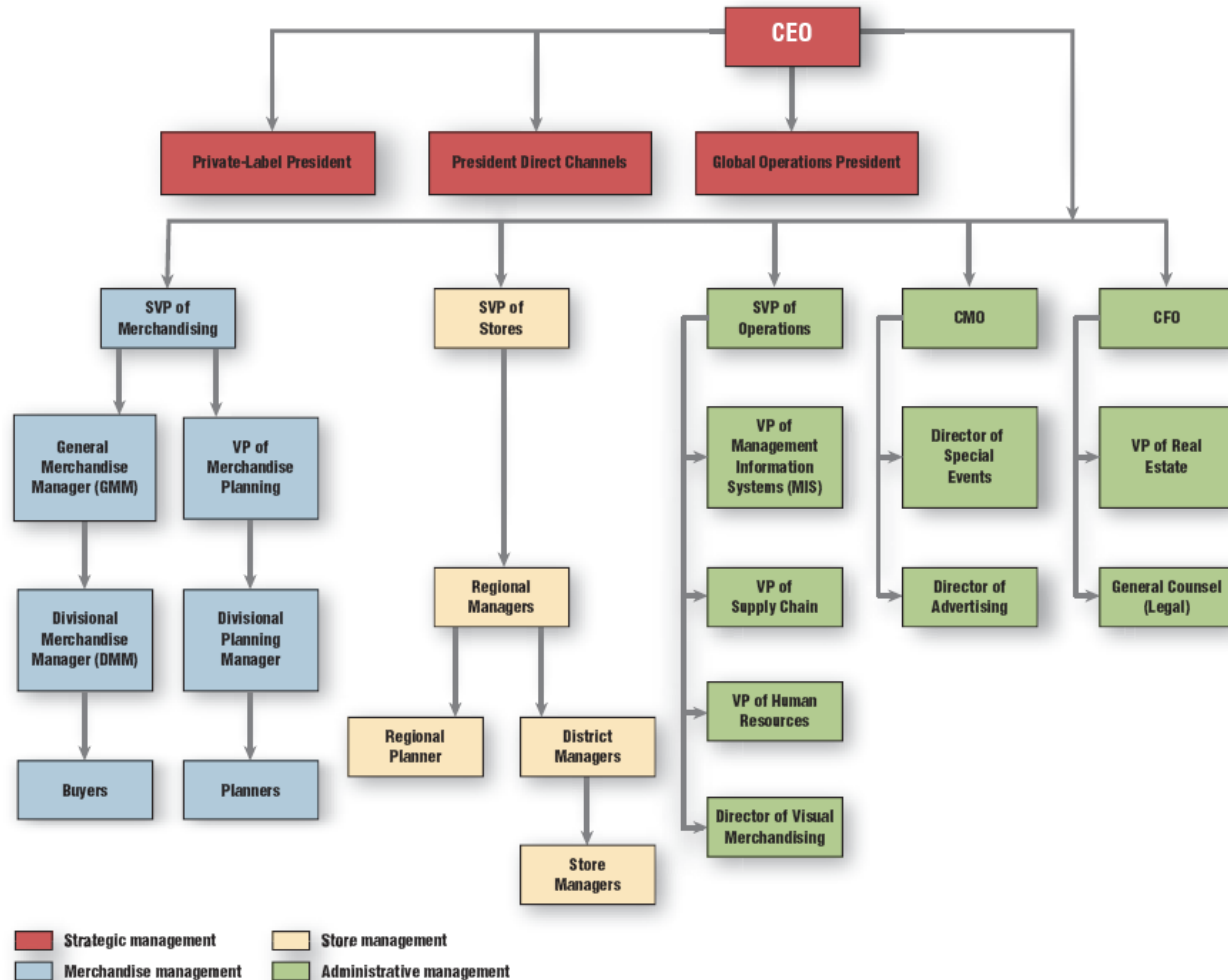
Assignment of Responsibility for Tasks

- Strategic – Top Management, Board of Directors
- Merchandise Management – Merchandise Division
- Store Management – Stores Division
- Administrative – Corporate Specialists

Organization of a Small Retailer



Organization of a National Retail Chain



Advantages of Centralization

- It is difficult for a retailer to adapt to local market conditions
- It may have problems responding to local competition and labor markets
- Personnel policies make it hard for local managers to pay competitive wages

Disadvantages of Centralization

- Reduce costs (overhead falls with fewer managers)
- Coordinated buying achieve lower prices from suppliers
- Opportunity to have the best people make decisions for the entire corporation
- Increases efficiency

Coordinating Merchandise and Store Management

- Improving buyer's appreciation for store environment
- Buyers making store visits
- Assigning employees to coordinating roles



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- Retailers are engaged in a “war” with their competitors for talent – for effective employees and managers – who can effectively deal with the increased complexities of retail jobs (the use of new technologies, increased profit & loss responsibilities, increased global competition, a diverse workforce).
- Develop programs to attract, develop, motivate, and keep talent

Attracting Talent: Employment Marketing

- Employment marketing (branding)
 - Marketing programs that attract “best and brightest” potential employees
 - Starbucks – “Love What You Do”
 - Southwest – “Free to Actually Enjoy What You Are Doing”



Developing Talent: Selection and Training

- Selective Hiring:
 - Recruit “the right people”
 - Simply seeking the best and the brightest may not always be the most effective approach
- Training:
 - Increasing investments in management training programs and developing leaders
 - Increasing attention to college graduates - Generation Y

Motivating Talent: Aligning Goals

- Policies and Supervision
 - Indicate what employees should do
 - Behavior Enforced by Managers
- Incentives
 - Commission, Bonus, Stock Options
- Organization Culture
 - The set of values, traditions, and customs of a firm that guides employee behavior
 - Behavior enforced by social pressure



Advantages

- Aligns Employee and Company Goals
- Strong Motivating Force

Disadvantages

- Employees Only Focus on Sales
- Less Commitment to Retailer

Developing and Maintaining a Culture

- Stories
 - Nordstrom – Hero Service Stores
 - Ritz-Carlton – “wow story” reading
 - Whole Foods – working in teams and using its employees in the hiring process
 - Wal-Mart – Saturday Morning Meeting
- Symbols
- CEO Leadership



Keeping Talent: Building Employee Commitment

- Empowering Employees
 - Empowerment is the process of managers sharing power and decision-making authority with employees
 - Gives employees confidence
 - Provides greater opportunity to provide service to customers
 - Employees are more committed to firm's success
- Creating Partnering Relationships with Employees
 - Reducing Status Differences
 - Promotion From Within

- Diversity Training
- Support Groups and Mentoring
- Career Development and Promotions



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Legal Issues in Human Resource Management

- Equal employment opportunity
- Compensation
- Labor relations
- Employee safety and health
- Sexual harassment
- Employee privacy
- Developing Policies



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