



MK 322 Retail Management

Chapter 9: Human Resource Management

Part I

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Objectives of Human Resource Management (HRM)



HRM Performance Measures

- Productivity is the sales generated per employee calculated as follows

$$\text{Employee productivity} = \frac{\text{Net sales}}{\text{Number of full-time equivalent employees (FTEs)}}$$

A full-time equivalent is the number of hours worked by an employee divided by the number of hours considered to be a full-time workweek for an employee. Thus, a sales associate who worked 12 hours for a retailer with a standard workweek of 36 hours would be considered a one-third FTE. Employee productivity can be improved by increasing the sales generated by employees, reducing the number of employees, or both.

HRM Performance Measures

- Turnover: Employee turnover is calculated as follows

$$\text{Employee turnover} = \frac{\text{Number of employees voluntarily leaving their job during the year}}{\text{Number of positions}}$$

Thus, if a store owner had five sales associate positions but three employees left their jobs and were replaced during the year, the turnover would be $3/5 = 60$ percent. Note that turnover can be greater than 100 percent if a substantial number of people are replaced more than once during the year. In our example, if the replacements for the three employees who left also left during the year, the turnover would be $6/5 = 120$ percent.

HRM Performance Measures

- Engagement is emotional commitment by an employee to the organization and its goals
- It goes beyond employee happiness and satisfaction
- Engaged employees care about their work and company



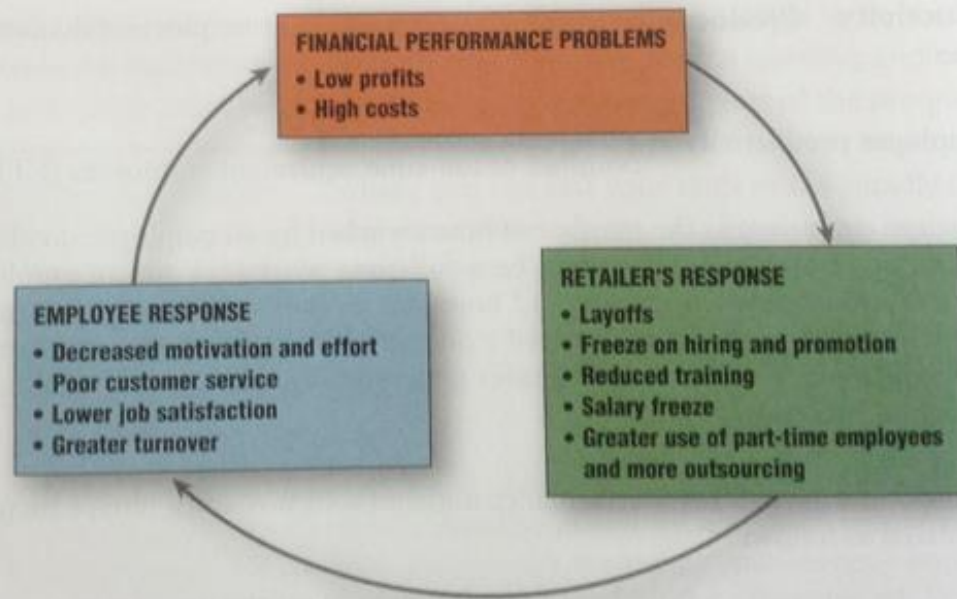
HRM Performance Measures

- They don't just work for the paycheck or promotion
- They are motivated to support retailer to improve customer satisfaction
- They are less likely to leave the company
- Retailers use employee surveys to measure employee engagement

HRM Performance Measures

- The mismanagement of HR can lead to a downward performance spiral

EXHIBIT 9-1
Downward
Performance Spiral



Challenges in Retail HRM

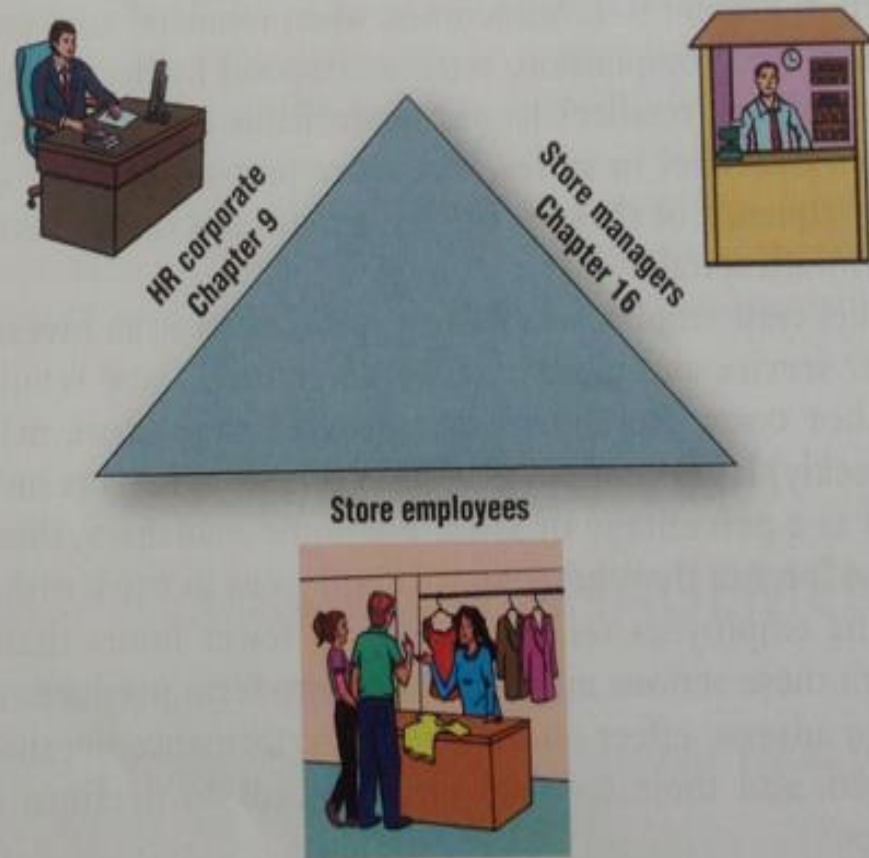


Balancing the HR Triad

- Many retailers feel that human resources are too important to be left only to the HR department
- The full potential of a retailer's human resources is realized when three elements of the HR triad work together-HR professionals, store managers and employees

Balancing the HR Triad

EXHIBIT 9-2
Human Resource Triad



Expense Control

- Retailers must control their expense if they are to be profitable
- They are cautious about paying high wages to perform low-skill jobs
- To control costs, people with little or no experience are hired, ie. Sales associates, bank tellers, waiters
- Result is absenteeism, high turnover, poor performance
- Poor appearance, manners, and attitudes have negative effect on sales and customer loyalty

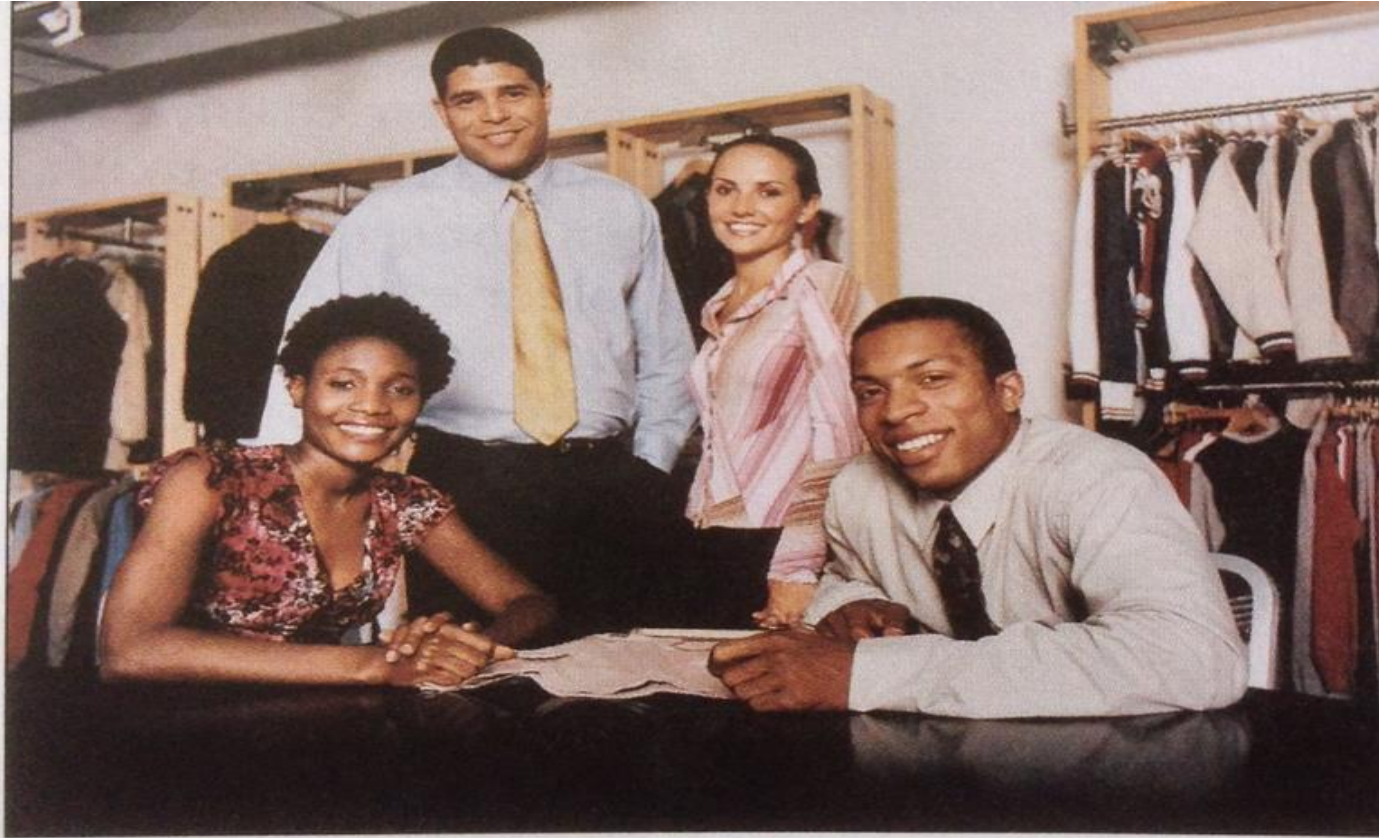
Part-Time Employees

- One method of controlling expense
- Computerized scheduling systems help retailers control costs, as well improve their service provision because they can match their staffing to customer demand on an hourly basis
- Heavy staffing during events
- Part-time employees are less expensive as they require no health or retirement benefits and little job security

Utilizing Diverse Employee Group

- Retailers in U.S. are increasing efforts to recruit, train, manage, and retain mature, minority, and handicapped workers
- As for Thailand, more strict measures on employing ASEAN labor work force

Utilizing Diverse Employee Group



A diverse workforce enables retailers to better service the diversity in their customers.

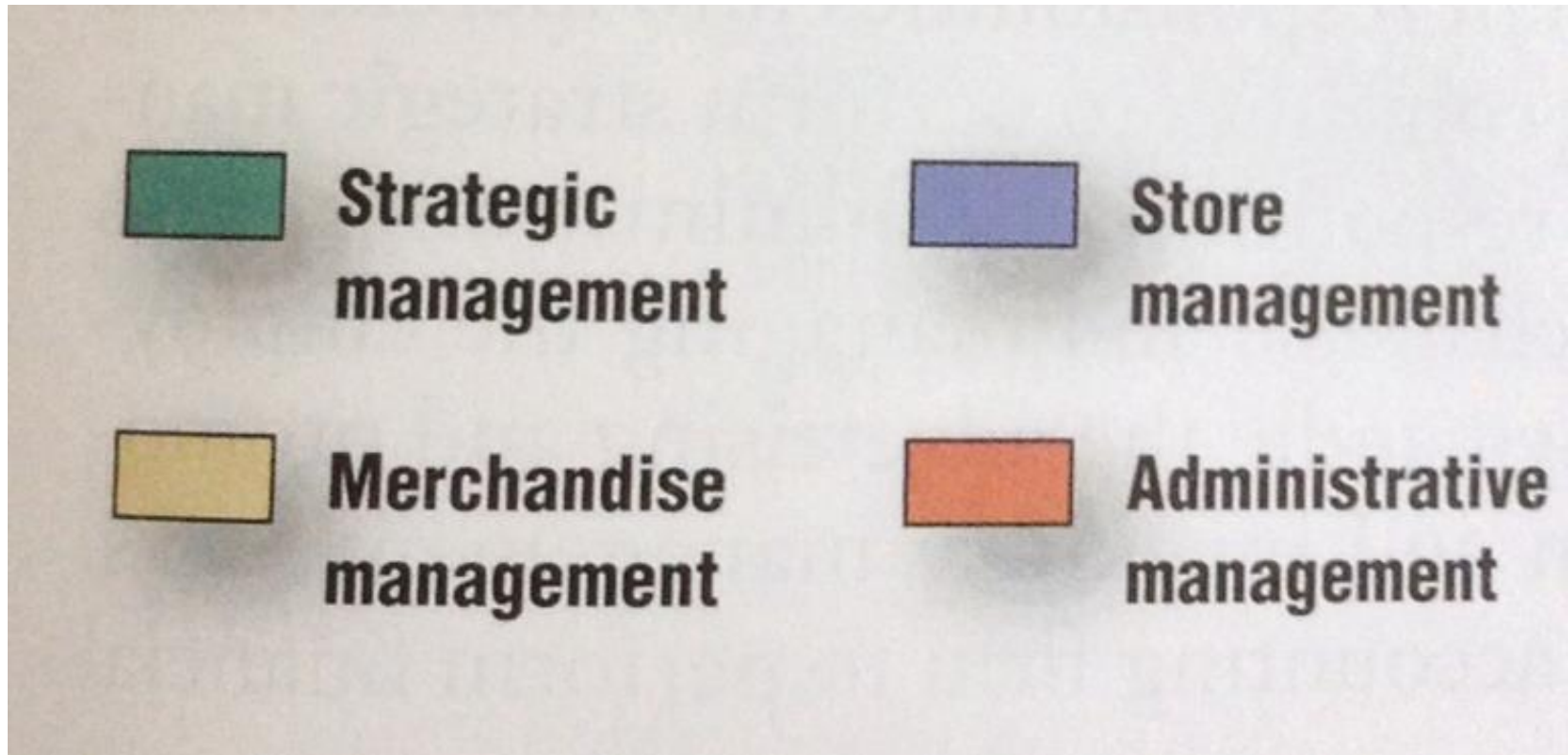
Designing the Organization Structure for a Retail Firm



Designing the Organization Structure

- The organization structure identifies the activities to be performed by specific employees and determines the lines of authority and responsibility in the firm
- The first step in developing the organization structure is to determine the tasks that must be performed

Designing the Organization Structure



Designing the Organization Structure

Tasks Performed by the Typical Multichannel Retail Firm **EXHIBIT 9-3**

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
- Coordinate multichannel offering

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

- 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

Designing the Organization Structure

ADMINISTRATIVE MANAGEMENT

- **Marketing**
 - Promote the firm, its merchandise, and its services
 - Plan communication programs including advertising
 - Plan special promotions and events
 - Manage public relations
 - Coordinate social media programs
- **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 (legal)**
 - Work with all functional areas to be in compliance with laws and regulations

Organization of a Single Store Retailer

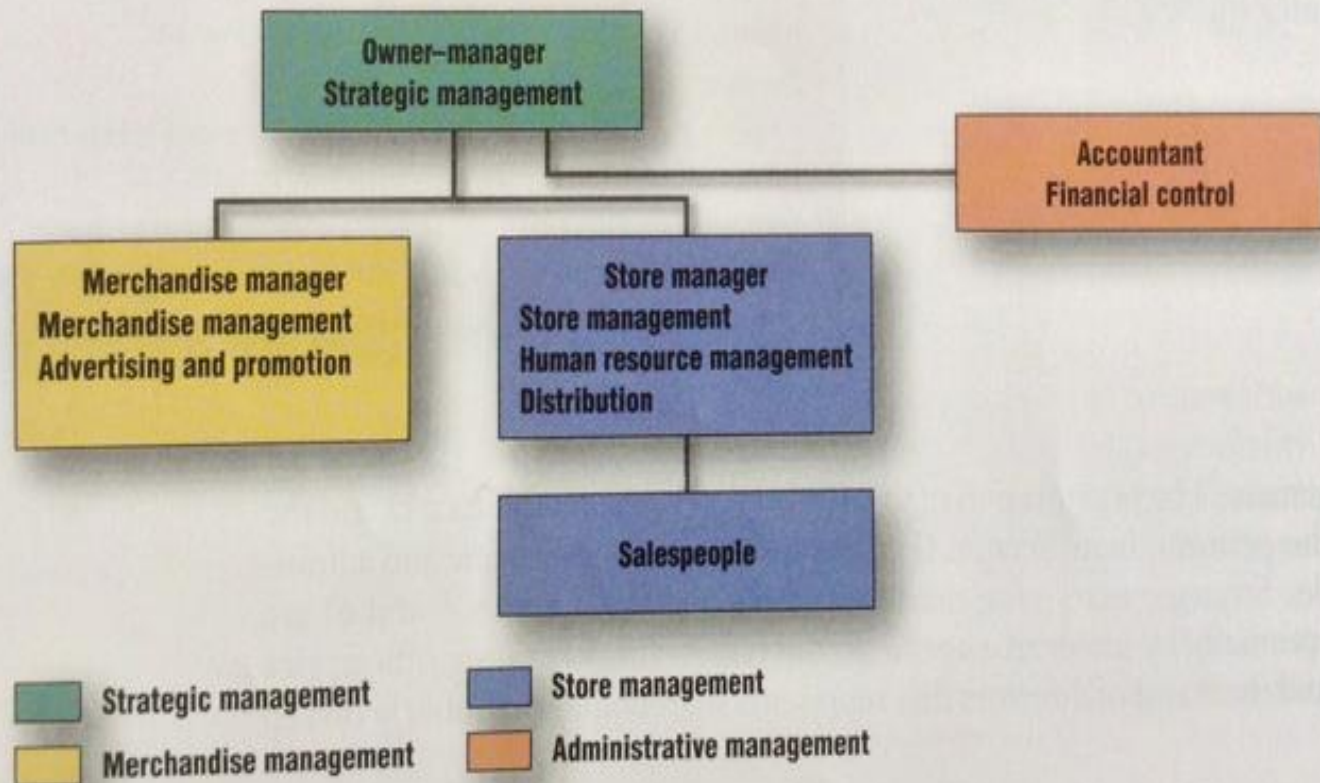
- Because the number of employees is limited, single store retailers have little specialization
- Each employee may perform a wide range of activities, while the owner-manager is responsible for all strategic decisions



Organization of a Single Store Retailer

EXHIBIT 9-4

Organization Structure for a Small Retailer





That's All Folks