Productivity Toolkit for Retail Industry

(example: clothing & accessories and electronics goods)

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In the last four to five years since the imposition of limits to foreign labour in Singapore by the government, many retail outlets such as those selling clothing and accessories, and electronic goods have found it increasingly difficult to operate due to the severe constraints on the labour needed to operate their retail outlets. Small and medium enterprises are hit the hardest as they do not have the advantage of economies of scale, resources such as information systems and employer branding that larger enterprises and multinational corporations such as Uniqlo, H&M and Best Denki.

Under this economic conditions, small and medium enterprises need to look for other ways and means to improve their productivity in order to remain competitive.

There are three ways in which productivity can be raised in enterprises, namely:

1. The efficient use of capital
2. The use of innovation and technology
3. The training of people

This toolkit is written to help the small and medium enterprise business owners of retail outlets in clothing and accessories, and electronic goods to identify good ideas for increasing productivity in order to remain competitive. Given the manpower crunch in hiring suitable people for positions such as sales, promoter, storekeeper and cashiers, there is always a need to do more with less.

The Efficient Use of Capital

The efficient use of capital requires very careful planning. Because the cost of real estate rental is high in Singapore, any inefficient use of this resource would be a significant drain to the retail enterprise.

Factors to consider:

1. Location. Depending on your target customers, you need to look for the most appropriate location for your retail outlets. If you selling high-end, luxury products, it would make sense to look for locations which are frequented by big spenders such as large shopping malls, shopping district or locations frequented by wealthy people. Conversely, if your offerings are simple, you would choose another sort of location.

2. Floor space. Your floor space need to be appropriate to the type of product you are retailing.   Too little space and your store will look cramped and unappealing and you will not have sufficient space to display your products. Too much space with insufficient displays and your outlet will look like it does not have a good range of offering.

3. Layout. Even with an optimized floor space, it is possible for the retail outlet to be less efficient if its layout is not optimized. Optimizing the store layout would mean that

products are categorized properly and placed in strategic locations where customers will not have to walk around too much before they reach the items they are looking for. This requires the retail store manager to observe consumer behaviour patterns over a period of time and identify the arrangement that would be the best for customers.

4. Store display. Store displays are important to retail stores because this is where customers are able to view the products and its features. Store displays make the product 'tangible' for the customer, and therefore they need to be made to look appealing and attractive to the customers.

The Use of Innovation and Technology

Productivity improvement can also be possible through adoption of technology and process improvements in the retail industry.

Below are some ideas and suggestions on the use of technology and process improvement in the retail industry:

1. **Use of RFID technology** to track inventory from supplier to customer.   In Singapore, the National Library has been successfully implementing the tracking of library books for years. By implementing the RFID tracking system, the National Library was able to transform the library loan process from a manual system to one where machines took over the role of the librarian having to check in and check out loan items.   Shortly after that book retailer Popular adopted the system to replace their old barcode scanning system. By integrating the RFID technology with their inventory system, Popular was able to track their book inventory as well.
The cost of an RFID tracking system is continually coming down. Retailers would become more efficient in managing their inventory using RFID. In one recent case, a popular clothing retail company found that they were able to reduce the number of days of performing a stock count from eight days to one, simply by implementing the RFID system to track their inventory.
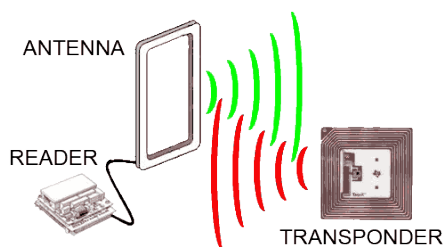
2. **Use of POS or Self-service Payment Terminals** which are integrated with an Inventory Management System or Enterprise Resource Planning (ERP) system. Multiple types of cashless payment systems such as NETs and Credit/Debit card could be considered in order to give customers a greater choice of payment options, as they might otherwise go off to another competitor because the convenience of the payment option was not available.

As an example of self-service payment terminals, some supermarkets have begun such processes. Even though the initial outlay of capital is necessary, nonetheless in high volume retail outlets, such implementation can only mean savings as fewer staff is needed to oversee a number of self-service terminals.

3. **Use of trolleys and mobile inventory displays**, will improve layout agility and re-configurability of the retail store with less effort.   For example, in a clothing retail store, a business owner could consider using clothing display racks with wheels instead of without wheels, as this would make it easier for the retail staff to move the displays around the store and place them next to strategic locations.   Consider the example below:
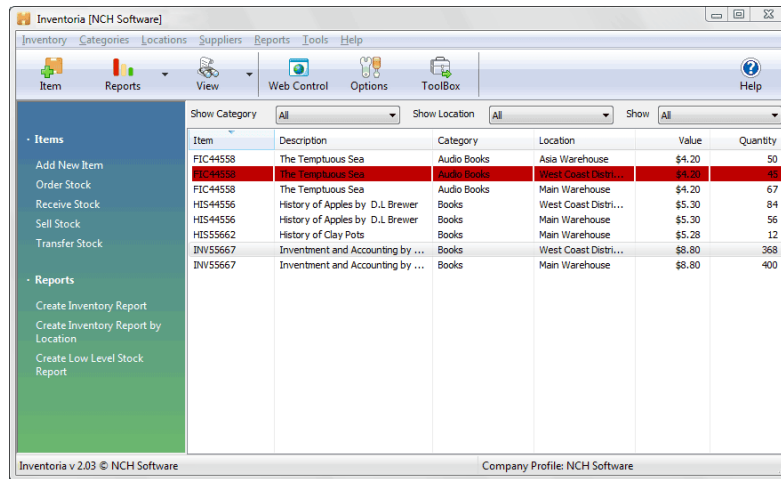

instead of

4. Retail stores need to management their inventory.   Small retail operations could have started off without a proper inventory management system because of the cost.   Such operations would have just used a simple MS-Excel spreadsheet to manage their inventory. However, as the numbers of transactions grow and the numbers of SKU increases, the spreadsheet is unable to keep up with the operational requirements. Furthermore, spreadsheets tend to be standalone and the data manually entered, thus usually end up with human errors.

For most retail stores, it is therefore essential to incorporate an inventory management system which is able to be integrated with an ERP system.

5. Simple implementation of **training in 5S** together with self-discipline in order to maintain orderliness of product storage and reduction of clutter in the store's storage areas. 5S is a Japanese quality concept which is related to good housekeeping.   5S which stands for the following: Seiri [整理] (Sort), Seiton [整頓] (Arrange things in order), Seiso [清掃] (Clean up), Seiketsu [清潔] (Personal cleanliness) and Shitsuke [躾] (Discipline).

Although widely known as a concept related to quality, 5S also directly impacts productivity because when there is general cleanliness and organization, the employee is able to find items they are looking for quickly, thereby saving time which might be spent looking for the items when the workplace is in a disorganized state.

Retail store with 5S   Retail store without 5S

6. The **use of surveillance cameras** attached to the store ceilings at strategic locations can help detect and deter shoplifting.   Signs could be also placed at strategic locations as a deterrence to criminals. Shoplifting (or shop theft) is one of the areas where a retail store can lose revenue because of criminal activities.   Having a surveillance camera is far less expensive than hiring a full-time store detective.

The Training of People

The retail industry is still heavily depend on people at this time. Retail staff such as sales person, product promoter and cashier are expected to provide the correct level of product knowledge and service delivery. They could be regarded as 'ambassadors' of the store to its customers. Customers who get upset about a product or service could do more damage to the store's reputation than ever before. The prevalent use of social media today means that any negative comments or reviews by irate customers can result in reputational damage to the store and its brand.

Retail staff, from the Store Manager downwards, need to be trained in customer service areas. They also need to have a fair amount of product knowledge, a knowledge of the store layout, store policies such as return of products, and handling of difficult customers.

Service staff who have good product knowledge, are attentive to customer needs and able to handle difficult customers well are rare and should be incentivized to remain employed by the store.

Most large organizations have training budgets for their retail staff. However, for small and medium enterprises which have tight budgets, it would be necessary for them to get assistance from the government in order to train their retail staff. The Singapore government and its partners have a training framework for skills with the Work Skills Qualification (or WSQ) framework for service staff in the Retail industry. Institutions such as SIRS (Singapore Institute of Retail Studies) and the Institutes of Technical Education are also partners in training of young Singaporeans who aspire to work in the retail industry.

Conclusion

Retail store owners should review some of these ideas and evaluate the suitability to their type of business, operational processes and budget.   Some of these implementation of ideas such as '5S' does not need a large amount of investment but requires the adjustment of mindset, training and change in behaviour.

Although cost and budget of implementing a technology solution can be a constraint to most small and medium enterprise business owners, the Singapore government is ready to provide assistance these small and medium enterprises in order to boost their productivity.

Assistance for IT-related implementation e.g. Inventory Management system can be obtained from the PIC Scheme from IRAS. Larger scale projects can also be funded by IDA's iSPRINT grants for IT implementation.

Technology and process redesign funding assistance can be obtained from SPRING Singapore under the Capability Development Grant funding scheme.

Assistance for the training of retail staff can be obtained from the Workforce Development Agency. Retail staff can be sent for the appropriate training in order to be able to perform their respective work skills.

For more information on **Productivity Toolkits** from Minuteman Resources Pte. Ltd.

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