The process of organizing a retail firm basically includes the following five steps:

As a policy matter, a retailer cannot survive unless its retail organization satisfies the needs and wants of the customers. In retailing, a retailer can compete with competitors only if the needs of customers are fulfilled. No one will give you credit and acknowledge how well management and employees needs are effectively met.

Thus, an organization structure that has adopted policy of central buying in order to cut costs but ignores the specific requirements of its various chain stores would be a fatal decision in the long run. This
practice is normally common in newly born retail stores but ultimately retailers will have to understand that individual attention should be given to buying, pricing, wrapping and displaying merchandise considering geographical and cultural differences. There are many ways of organizing to perform these functions and focus on customers, employees and management requirements.

**The process of setting up a retail organization is divided into five steps. These are discussed as follows:**

**1) Tasks to be performed:**

The general tasks in a retail organization vary from organization to organization and size to size but these are some common retail activities that are usually applicable to all sorts of retail distribution channel.

**These are:**

**ADVERTISEMENTS:**

(i) Arranging and buying merchandise for the retailer;

(ii) Receiving merchandise and check for its quality;

(iii) Determination of prices i.e., price setting/labeling;

(iv) Marketing the merchandise;

(v) Inventory management and control including stores;

(vi) Classifying merchandise and window displays;
(vii) Store maintenance;

(viii) Customer research and development cell;

(ix) Customer complaint handling;

ADVERTISEMENTS:

(x) Customer contact (e.g. personal selling, advertising);

(xi) HR management;

(xii) Facilitating shopping (e.g. short checkout queue, convenient site);

(xiii) Customer billing section;

(xiv) Management of receipt and date recording;

(xv) Payment operations (e.g. cash, credit, etc.);

(xvi) Gift wrapping;

(xvii) Coordination between various activities;

(xviii) Returning damaged, rejected or unsold goods to vendors;

(xix) Sales forecasting and budgeting;

(xx) Repairs and after sale service.

The effectiveness of above mentioned activities are necessary for effective retailing to occur. Yes, retailer can give priorities to various activities but cannot get rid of any one.
(2) Division of tasks among channel members and customers:

Although the above mentioned various activities take place in a retail channel but a retailer is not supposed to accomplish all the tasks. Some of these activities are usually performed by the manufacturer, wholesale professional, customer or retailer itself.

The below mentioned figure provides the details of activities that are performed by different parties of a retail chain:

<table>
<thead>
<tr>
<th>Party</th>
<th>List of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer or Wholesaler</td>
<td>Manufacturer/wholesaler functions include: pricing merchandise, inventory control, display layout preparation, research, sales forecasting, checking quality of incoming inventory, etc.</td>
</tr>
<tr>
<td>Professional</td>
<td>Professionals can take up these activities: site arrangement, R&amp;D, advertising agency, warehousing, legal matters, credit maintenance, computer service provider, lift maintenance, etc.</td>
</tr>
<tr>
<td>Customer</td>
<td>Customer is responsible for: acceptance of delivery, bill payment, self service, selecting merchandise, product replacement (do it yourself).</td>
</tr>
</tbody>
</table>
| Retailer               | Retailer is normally responsible for buying merchandise and coordination between various activities.  
                        | Note: if store’s size is small, then most of the activities a retailer can perform. |

This is a list of possible activities that are normally performed in a retail chain. But an activity should be performed only if it is as per the need of the target market. For example, free home delivery; it should not be provided unless required by the majority of the customers.
In luxury and cosmetic retailing, customers would like to take their ornaments, cosmetic items with them but in case of grocery, they would be requiring home delivery. Therefore, unless a retailer finds some facility ignorable, he should not provide it.

Once a facility/activity is provided, it should be done with proper competence. For instance, a customer follows up and complaint handling activity may require a dedicated staff that could understand customer’s feelings and has soft communication skill. In case of some retail store, this activity can be handled by retailer itself but when the store grows in terms of size and volume of merchandise, it requires separate staff for both personal and telephonic customer care.

(3) **Grouping tasks into responsibilities:**
After considering and finalizing various retail activities necessary to be performed in a store, a retailer groups these activities into job profiles those will be handled by a particular employee/group of employees. To make the retailing successful, various activities must be defined and properly grouped. Figure 18.7 gives you an idea how a retailer does task grouping and assign tasks into jobs.
After grouping the activities, job descriptions should be prepared. A job description, as the name implies, outlines the title of a job, objectives and expectations from a job in terms of duties and responsibilities. The job description further helps the HR department in recruitment, selection, supervision and assigning pay scales to each job title.

(4) Classification of jobs:
After grouping tasks into jobs, next step in setting up a retail organization is to classify the jobs under functional, products, geographical, or combination classification system. Under functional classification, jobs are divided in terms of various retail functions, like sales promotion, customer care, inventory management and store operations.
Under products classification, jobs are divided on the basis of nature of goods and services. Thus a retail store recruits different employees for apparels, vegetables and fruits, furniture, electronics, grocery food and so on. Product classification is based on the concept that employees’ requirement in terms of experience, age, look, qualification, etc. varies from product to product.

Under Geographical classification, jobs are classified according to spread of the organization in various cities and states. Therefore, job locations are assigned in such a way that employee to the extent possible should work in or nearby home town. As he/she is aware about the locality, its preferences and buying behaviour. For example, if recruitment is done by head office and two shortlisted selected candidates belong to Garhwal – a hilly area then these two candidates should be offered job to a store which is nearest to Garhwal region.

Under combination classification system, stores use more than one classification. For example if a branch retail store of luxury items like Jewellery, gold, diamond and platinum recruits its own staff for selling goods, but buys employees for each product line from head office and controlled by head office, then it will be a combination of functional, geographical and product formats.

(5) Developing an organizational chart:
This is the last step of organizing a retail firm. For the purpose of understanding the concept, various organizational patterns are given as under:
Mixed Organizational Pattern:
As the very name implies, these types of organizational patterns involve two or more organizational patterns available. Thus, they have the features of various organizational patterns. These are used when the store is expanded in terms of branches, customers and variety of merchandise.
Figure 18.11 Organization Pattern on the basis of Mixed Pattern

Retail Enterprise Organizational Chart
TIPS FOR STRUCTURING YOUR RETAIL STORE ORGANIZATION

The organizational structure of a retail store varies based on the size and type of business. A lot of the tasks involved with operating a retail business will be the same regardless of a store's size, however, small or independent retail stores may combine many sectors together under one division, while larger stores create various divisions for each particular function along with many layers of management.

For example, a small specialty shop may have all of its employees under one category called Store Operations. A large department store may have a complete staff consisting of a manager, assistant manager, and sales associates just for its Sporting Goods department, Home and Garden, Bed and Bath, and have the same team lineup for each additional department.

DEFINING JOB DESCRIPTIONS

When a store is part of a large retail chain, the jobs are likely to be clearly defined and not vary greatly from store to store. But if you're just starting out building a retail business, you may need to assemble clear guidelines and job descriptions of who should be doing what to keep things from descending into chaos. Even if you only have a small staff, everyone should be tasked with specific duties, so that things don't fall through the cracks.
WHERE TO BEGIN

To define the store's organization, a good place to start is by detailing out all tasks that need to be performed. Develop an organizational chart that shows who will be handling which parts of the business. For instance, you probably don't expect your human resources personnel to be handling inventory control.

An organizational chart with areas of responsibility also plays an important role in accountability, because it describes where each employee fits in and everyone knows who their direct boss is.

It's also a good idea to frequently update your written-out job descriptions for each separate position, so there is no confusion about job responsibilities, especially as your organization grows and evolves. The more clarity everyone has about what is expected of them, the smoother things will run.

A FITNESS STORE EXAMPLE

Part of defining job roles and responsibilities on your organizational chart includes appropriate compensation. Say, for example, that you have a retail store that sells fitness equipment, and the people in the company that spend the most time with your customers are the delivery and install team. Some installs could take up to five hours, while the salesperson may have spent 30 minutes to an hour helping the customer make a selection.
An important and very relevant saying in retail is that *the last impression is the lasting impression*. This means that no matter how awesome the store experience was, if the delivery and installation were terrible that's all the customer will remember. And if the delivery went poorly and that's all the customer remembers, there's a very low likelihood you will ever see them again.

In this fitness store example, you may consider compensating your installation team based on customer experience scores. You could also include them in the bonus pool ordinarily reserved for the sales team. This "one company/one team" approach can help ensure that no matter what structure you have in place, you let every employee know that the customer experience is the first priority.

**BUILDING A RETAIL TEAM**

The CEO, owner, or president typically assumes the responsibility of reporting to stakeholders and overseeing all aspects of the company including profits, personnel matters, and operations. In a small company, the owner is likely to have more one-on-one time with employees and customers. This holds especially true in the first few years when an owner/founder would expect to wear many different hats to keep the business running.

On the organizational chart under store operations, you would expect to see a tree or hierarchy diagram of store managers, as well as department or assistant managers, cashiers, salespeople, receiving and loss prevention (security) personnel.
A marketing department would include those staff charged with public relations, promotions, and in-store visual displays. Under merchandising, you may find planning, buying, and inventory control personnel, and under human relations would be staff who hire and train employees, and handle benefits and other personnel matters. Finally, your information technology staff would handle such things as mainframe and desktop computer maintenance and backup, online security and other information technology issues.

As the store grows and the retail business evolves, the dynamics of the organization's structure will change too. It becomes important to redesign the store's organizational chart on an ongoing basis to support the decision-making, collaboration and leadership capabilities that are essential during and after a growth period.

Regardless of the size of your organization, the following tips can guide you in your structure planning:

**Focus on the customer experience.** All work should culminate in achieving this most important aspect. If the role you have considered adding does not somehow impact and improve the customer experience, evaluate whether or not it's actually necessary.

**Keep as few layers as possible.** The more layers you have, the more complicated things become for the employee and the customer.

**Tie compensation to customer experience,** regardless of the role or job duties.
Develop a culture of one company and one team. Eliminate the silos between sales and operations, reminding all employees that each cog in the machine has its own usefulness and importance.

Ultimately, setting your organization up to keep the line from the owner to the customer as short as possible benefits both employees and customers. This is the best way to ensure the customer always has a remarkable experience.