



EMCC case studies

European commerce sector: Family shoe retail company

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Introduction

The company was founded in the 19th century by the grandfather of the current owners, and remains in family ownership. The company, with its head office in a large European city, focuses on innovation, dynamic response, distinctiveness, and the latest fashions in shoes. Started in premises of only 14 square metres more than 130 years ago, the company now has more than 120,000 square metres of store space, selling its shoes and accessories through five chains of shops. The company employs 3,000 workers of whom approximately 140 work in the head office, the rest working in approximately 200 retail outlets in more than 90 cities in three European countries.

Company strategy

Over the last 20 years, huge cultural changes have taken place in the company's national market: it has become a multicultural society, and fashion, language, and styles are changing rapidly. The advent of the euro brought with it price increases. The company is increasingly aware of the demographic changes taking place in society, with the population shrinking and its age profile rising; however, it has waited longer than other retail outlets to change its concept, one that has worked well for many years.

Since 2000, the company has experienced continuous growth in an increasingly competitive market, in contrast to the general trend in the national shoe and textile trade market. Its recipe for success has been its consistent focus on customer orientation, a clear positioning strategy, and innovative business and logistical concepts.

Between 1994 and 1998, the national shoe retail business experienced a drop in sales of 8.3%. During the same period, the number of shoe retail outlets fell by more than 12%. That reduction has continued since, although not at the same pace. Recently, the value of the national market has increased. According to the company, growth can only be achieved in such a market by coming up with new product types and by eliminating or taking over competitors. As a consequence, the company is now also seeking to expand into foreign markets, and increasingly so in complementary product areas. The company no longer just sells shoes: its vision for the future is to become a leading lifestyle advisor and to offer the best range of lifestyle products, including shoes, belts, sunglasses, jewellery, bags, wallets and wellness products for the feet. The company sees niches in the market for modern, classic, high-value products: for example, it has launched an Italian-style own brand.

The future will bring a market in which events happen even faster and new products emerge every month. At the company's head office, product departments are already starting to think about the 2008/2009 winter collection.

According to a HR consultant at the company, the company has become a market leader in e-commerce. Increasingly, the online shop will be used to encourage customers to visit physical stores.

The company competes with local shoe shops that can be found in all major towns and cities. These shops have built up a substantial local customer base over many years. Some of the large chains, on the other hand, have positioned themselves in the lower price segment of the market, which plays only a minor role in the company's portfolio. Not all towns and cities offer the market conditions to cater for yet another shoe shop. The expansion of the company has followed the pattern of 'two steps forwards and one step backwards'. It has invested heavily in the refurbishment of many of its stores with the aim of modernising them and tailoring the interior to the latest service concept.

International expansion

The company's international expansion began with the introduction of new shops in a neighbouring European country. However, it has proven difficult to export the store concept to another country and culture. The second wave of international expansions was initiated a couple of years ago with the launch of a store in one of the new Member States,

followed by another in the same country. Although the company is optimistic, it is by no means certain that international expansion will be successful: the new Member State is already well covered by international shoe chains, and it has proven difficult to retain employees in this country.

Outlet types and products

The company runs four chains of shops, each targeted at different customer segments.

- One chain offers a range of shoes for the whole family, from shoes for children to handmade leather shoes for men.
- Another chain sells own-brand shoes at attractive prices.
- The third chain sells avant-garde fashion shoes for young people, including its own brands, but also well-known brands in the medium to high price range.
- The fourth chain offers a wide range of shoes for the whole family at affordable prices. These shops are usually placed in large shopping malls or in locations around roads leading to shopping centres, and offer parking space.

In addition, the company offers a wide range of accessories and services, a customer loyalty card, shoe sales via the internet, shoe repair services, and services for acquiring special shoes. These services have given the company a competitive edge in a market where product ranges increasingly look the same.

Although the company had set more ambitious targets for its expansion at the beginning of the decade, it has maintained a strong position in a difficult market. This position has been achieved through constant innovation in products, concepts and services and by keeping a focus on the needs of the customers.

The company has created a shop concept targeting young consumers, and from the US the company has imported a discount concept. In 2004, a chain of shops was introduced selling only the company's own brand; in this instance, the company is both supplier and retailer.

Organisational structure at head office

The company is organised along the traditional lines of a family-owned company. The current CEO is not part of the family, but two of the family owners also act as directors of the company.

Work at the head office includes product management and purchasing, accounting and finance, marketing and communications, customer services, human resource management and recruitment, training and development, store acquisition and development, logistical management and online shop management. The head office also houses the subsidiary IT company.

Unlike the rest of the company, the majority (around 65%) of the staff at the head office are employed full time.

Corporate culture

The company focuses on creating a company identity and culture within its organisation. It makes considerable efforts to support and retain staff. Employees who show potential and ambition are offered challenging positions and projects. On the basis of the company's philosophy that 'anything is possible', employees are encouraged to show their potential. A recently launched personnel handbook helps employees get a good understanding of the company. The company also believes in making life easier for the customers: staff in the stores wear stylish uniforms that change according to seasonal fashions, which makes it easy for customers to see whom they need to address if they have questions or requests.

In selecting candidates for jobs and positions, it is important to the company that potential employees have both relevant skills and experience and that they fit into the particular store's image and environment. Therefore, in-depth interviews with potential candidates cover personality and behaviour, preferences and hobbies, to ensure that the candidate matches the criteria sought by the shop.

Recruitment

The company receives many inquiries from students who wish to do their final project at the company. Others apply for jobs after they complete their education. A significant number of young people have worked at the company's outlets while studying, and decide that they wish to continue their career with the retailer. The company also uses the usual recruitment channels such as recruitment web sites, newspapers and magazines. When hiring for management positions, the company seeks professional assistance from recruitment firms. The company has not had any problems recruiting the staff it needs; furthermore, it seems to be able to retain its staff.

Managing a department: Ms M

Ms M has been with the company for the past 12 years. She works in a large shoe retail store, which has about 150 employees. For two years she has managed three departments – seasonal shoes, sports shoes and customer services. Before that she was responsible for smaller stores in two other cities with between eight and 10 employees. In her current position, she is responsible for 33 of the 150 employees at the large store. Ms M completed her 'A'-levels at high school and studied commerce at college. During her studies, she earned money running her own business. She became a trainee with the company and her career has since developed, leading her to her present position.

Ms M is supported by two group leaders and two senior salespeople. They try to meet once a week just before the shop opens to discuss issues and plan activities. Each of the group managers and senior sales people is responsible for managing specific areas and teams in the three departments.

Most of the stores employees are women, only about 15% being men. In the company as a whole, about 30% of the employees are men. The average age at the store is 26 years (28 for the whole of the company and 31 for the head office) – quite a young age profile, given the long history of the company. Ms M says: 'Interestingly, we do have quite a significant number of people who have been with the company for many years – anniversaries of 20–40 years are not uncommon.'

The store is managed by a store manager and three department managers, including Ms M. There is a number of senior sales people, full time, part time and temporary employees (the latter being mainly students). The majority of employees are on part-time contracts, and recently the company introduced an annual working time model, which allows employees to vary the hours worked from month to month as long as the total hours per year add up to the contracted amount. Almost all part-time workers are women, and the proportion of part-time employees at the store is growing. Men prefer to work full time. Employees typically work in departments such as decoration, stock, checkout counters, or customer service desks; the future is expected to bring more specialised positions dedicated to individual brands and products, so that employees can better provide advice to customers. The services of a personal shopping assistant will be offered to frequent high-value customers. Based on the customer's previous purchases and internet requests, the shopping assistant will prepare a selection of products for customers just before they arrive at the shop. The large store operates rather differently from the company's smaller stores: in these smaller stores, employees have to be much more flexible and take on several different tasks, whereas at the large stores the product range is much wider and the employees can specialise in specific brands and shoe types.

Personnel management

Every six months Ms M talks with her subordinates to go over their sales figures and to discuss concerns and issues that may have emerged or that the employees wish to bring up. More specific talks can be arranged to discuss frequent sick leave, sudden drops in performance, or education and training requirements.

The company has a target for sick leave of 3% of working time; currently, it stands at 4.5%. Sales figures are measured very closely for every person with sales responsibilities; these are itemised in terms of individual product segments – shoes, accessories, customer loyalty cards, etc. In addition, employees are likely to be responsible for supplementary tasks such as handling the socks section, taking stock, cleaning glass shelves, clearing shoes that have been left by customers, or ordering new stock.

Ms M and her colleagues have experienced significant changes in recent years. The company is increasingly focusing on supply chain management: it now divides customers into consumer segments and tailors the shops, staff and product ranges to these segments. As a result, the high value, Italian-inspired own brand has been given its own shop-within-a-shop. The range of products has been expanded to include sunglasses, bags, belts and wellness products for feet.

The company has implemented a staff planning system that measures visitor frequency to estimate the ideal staffing levels at different periods during the day and during the week. This has implications for the employees, requiring them to be much more flexible than in the past. For example, an employee on a part-time contract might work 90 hours in April when the shop is busy, as against only 60 hours in February when it is quiet; regardless of hours worked, the monthly salary remains the same. At first, the employees were quite sceptical, but now most – especially those on part-time contracts – realise the advantages of this system for them and for the company. Employees can plan for periods in which they have a lot of free time, and for periods in which they are working longer hours, while the company can tailor the staff level to match the number of actual customers in the store. Currently, this planning is to a large extent carried out manually. The hope is that in future it can be done electronically, and staffing levels planned with a greater degree of automation.

Ms M emphasises: ‘When you have tens of thousands of customers coming through the doors on a Saturday, as is the case at my store, then you really want to get your staff level right.’

In the future, the plan is to have even less stock in the stores than today, with new stock being ordered from the central warehouse more frequently. At the large stores, a staff member will be responsible for merchandising and for ensuring that everything has been perfectly arranged. The company envisages that work processes will be standardised and easy to perform, using advanced information technology.

In all stores, it is important that the sales personnel can maintain contact with several customers at the same time. The future will see fewer employees achieving higher sales levels with more customers.

Skills development and training

The company employs people with good communication skills and creativity. Employees need to have good personal hygiene and be flexible both in terms of working time and mastering different tasks. In terms of technical skills, employees need to know how to operate the business systems for the ordering system, the stock management system, and the checkout and payment system.

Employees also need to be informed about the products that they are selling, know which accessories complement these products, be aware of current offers in the online shop, and be able to explain the benefits of holding a loyalty membership card.

Together with another department manager, Ms M is responsible for planning the programme of internal training for the store. The internal seminars take place outside working hours and are voluntary. They focus on helping staff learn new things in an enjoyable setting. The same people usually attend the seminars; nevertheless, the feedback from the participants have been good. All employees participate in an induction programme, whether they are students working for a short period in a store, or new store or department managers.

For commerce graduates, the typical training programme lasts about three years; selected commerce trainees then participate in a programme of in-store training, lasting between six and eight months, at several types of store. In addition, between five and eight management trainees are taken on every year. They take part in seminars and courses, and take on a management role in the company on completion of their diploma. This was essentially Ms M's career path. She has since participated in additional management training courses, concentrating on gaining skills in motivating and communicating with employees and on presentation techniques. The regional manager decides which managers in which stores participate in which courses: Ms M decides which of the employees in her department participates in which courses and seminars. The company provides diplomas for their employees. After taking relevant internal courses, employees receive a certificate that documents the competency and experience achieved.

The training department at the head office produces a catalogue of internal training every year. Store and department managers decide with individual employees on what courses and seminars would be most relevant for them. In addition, the head office issues a trends video every year that presents the coming fashion trends. All employees in all stores are required to view this video and discuss it.

The company focuses on decentralising as much of the training as possible to the point-of-sale locations. The training department therefore runs a train-the-trainer programme aimed at equipping the store and department managers with the tools to develop their staff at the stores. The programme covers such subjects as brainstorming, workshop and role-play techniques; in addition, external experts are hired to present information on coming trends to store employees. On the company's intranet, employees also have access to e-learning packages to train them on the introduction of IT systems and product launches.

In the future, Ms B from the personnel department expects a greater focus on documentation of training, education, and competencies. There are still some legal aspects to be resolved, but she foresees a near future in which employee records will be kept solely in electronic form.

Trade union representation

The trade union does not have a strong presence at the company. While this is also the case at the large store, a type of works council does operate there and in a few other stores; its role is to comment on important changes in working time, conditions, opening hours and dismissals. According to Ms M, collaboration with the works council functions reasonably well.

The union has lost many of members and is expected to play only a marginal role in the future. Working conditions are expected to become more flexible. To the best of Ms M's knowledge, there has never been a strike at the company.

Employees have an influence on how things are run in their department: Ms M discusses all major changes with her colleagues and employees. Larger business decisions with company-wide implications are not discussed with the employees. However, there is a 'good ideas' box that is used successfully.

Salary structures

For most of the full- and part-time employees, salaries are the result of biannual collective salary agreements. The contracts for managers and middle managers are negotiated individually. According to Ms M, employees are offered a bonus over and above the agreed pay, based on product turnover and total turnover. Targets are set for sales of different product categories and total sales, and when employees achieve sales beyond this they are paid a bonus; according to Ms M, this is a real incentive for the employees to increase sales. (When the personal targets are set, the average sales for the department and the time of the year are taken into account.)

Logistics and information technology

The company's logistics partner ensures that the shoe collections are distributed to all the shops around the country and to the outlets in the two export markets. For example, between February and April, the summer collections are distributed to all outlets. During this period, the logistics partner distributes new products from the central warehouse at least four times per week to each of the approximately 200 retail outlets. During this period, the volume of parcels increases fourfold, and on busy days the logistics partner may handle as many as 1,600 parcels containing more than 20,000 pairs of shoes.

With more than 300,000 parcels and almost 4 million pairs of shoes distributed annually, it is important that the company is able to rely on very lean logistics processes supported by an integrated IT system. All the company's outlets are connected to the product management system at the head office and to the depot of the logistics partner. Through this service, it is possible for employees at any given time to have an overview of the total shoe inventory for the whole company and for individual outlets. Orders, whether for single pairs or larger volumes, are sent to the logistics partner by email. If a pair of shoes is not available in one city, it is possible to order it from one of the outlets; the logistics partner handles all the work in getting the shoe parcel to its destination in the agreed time span of 24 hours. Employees can look up the delivery in order to check its status.

Besides its own brand shoes produced primarily by southern European manufacturers, the company sells more than 6,000 brands of other well-known manufacturers. Currently, 20% of the company stock is produced in Asia, and this proportion is set to increase in the coming years.

Role of information technology

The company developed its own POS and cash register system, which attracted interest from other retail outlets that wanted to license the system. The IT staff was supported in developing a separate IT company that could also develop, sell, and service retail systems to other retail companies. Today, this company collaborates with major IT suppliers in selling integrated IT systems and will be implementing its latest solution in the retail part of the company in the next few years.

The company decided that it needed to install a new checkout system; in part, this was in response to the need to comply with regulations in other countries regarding product classifications as it opened new stores, and to allow it to better respond to customer demands. The company also decided to improve its touchscreen point-of-sale (POS)/cash registers for the future. The company has asked its own IT subsidiary and a large IT supplier to supply a 'service oriented architecture' based system.

The implications for the company are far reaching. The new system will be installed in all outlets, both new and existing. The system will ensure the platform and language options for ongoing international expansion. In addition, it also offers the opportunity to integrate kiosk systems in which loyalty card holders can examine their account, bonus points, and any offers. Furthermore, the system allows for mobile data transfer using personal digital assistants (PDAs) and for the

reading of radio frequency identification (RFID) tags. This is important for sales staff, as it means that in future, customer contact can be more fluid and continuous; a salesperson can look up the stock of a specific pair of shoes on the spot, rather than having to leave the customer for some minutes to check availability in the storage area or at a computer.

Online retailing

The online shop has developed well, according to the company. Of all customers who browse the online shop's stock, 3% end up ordering shoes from it. The range of shoes – now more than 200 models – is continuously being improved. The success of the online shop is due to the selection of shoes on offer being tailored to the preferences of the 20–45 year olds, the most frequent internet shoppers. Every month the online product range is updated in line with changes at the stores.

Online orders are sent within three days of receiving the order. The customer pays when the products arrive or pays by credit card, and the cost of payment and postage is covered by the company. Shoes can be changed in a shop if the choice doesn't meet the customer's expectations; alternatively, the parcel service will pick up the shoes.

The number of individual visitors to the web site has risen to more than 40,000 per month, with more than 1.2 million hits per month. Each user now spends an average of more than nine minutes at the site.

The company runs a customer loyalty programme and has expanded the system to now include an internet-based customer relationship management system. Through the online shop, a customer can look up their account and bonus amount, and can select offers to receive online. Customers can now use the loyalty card online, as well as in the stores. The loyalty card is also a service card that provides access to more information about new fashions, new products, gift vouchers etc. Each member of the loyalty programme is allocated a discount on new purchases, the level of which depends on their total purchases. Now that the customer loyalty programme has been digitised, resulting in a reduction of the administrative costs, the company has also implemented a personalised marketing programme run over email.

Another benefit for customers has been the opportunity for them to register their credit card details in their account, so that they do not need to show their loyalty card at the shops in order to earn bonus points. The system links the credit card data to the membership information. For the company, this offers the opportunity of tracking the purchasing history of individual customers, thereby providing more tailored offers to its customers.

Sources

Interviewees

Ms M, Department Manager at a large store

Assistant in Personnel Development

Ms B, Personnel Department

Knud Erik Hilding-Hamann, Danish Technological Institute

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