
Managing Change At A Retail Co-operative

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Kendriya Bhandar, a co-operative enterprise, was set up mainly for the welfare and benefit of Central Government employees in 1963. The objective of this project was to ensure the availability of daily groceries at competitive prices through its retail outlets, primarily located in Government residential colonies. In 1981, it started supplying stationery and other office equipment to Government offices. While the new stationery business provided **blood-transfusion** in 1981, the society continued to post losses / insignificant profits in its business over the years and necessitated an urgent critical appraisal of its strategy and operation in 1985.

As a consequence of the review the *Minister gave the management team a specific remit to make the society a viable profitable proposition.

A two-fold review followed the above direction.

- market study to better understand the customer's needs, and
- an internal study of business processes to identify opportunities for greater efficiency.

These studies revealed the following key issues :

Market Research

- Kendriya Bhandar not regarded as a 'value for money' store by the customers due to average product quality, poor shopping experience and relatively high prices.

- Products were hard to find on shelves and staff not enthused sufficiently to help and woo the customer.
- Store locations did not match target market locations and the number of stores was limited.
- In general, customers thought Kendriya Bhandar had too few outlets with irregular supplies, and helpless staff.

Business Process Review :

- Adhoc and inefficient buying process
- Slack store management
- Poor people management processes that resulted in unclear roles and over staffing
- An inconsistent marketing effort

The new management appointed in 1985 conducted a detailed analysis of the issues highlighted by both the studies and used the classic 4 P model to propose a strategy for change. In addition, they looked at the fifth 'P', people. A brief summary of the changes implemented between 1985 and 1989 are described next.

Price :

The process that had resulted in poor price-value perceptions and poor stocking in Kendriya Bhandar stores was the buying process.

The main change implemented shifted sourcing of products from middlemen to sourcing from 'mandis' / wholesalers and the manufacturers.

The immediate benefits of this shift were:-

- lower buying price, leading to Kendriya Bhandar's ability to pass cost-savings to customers
- Improvement in quality of products offered due to stronger quality control measures.
- Introduced loss leader pricing on source products to attract customers.

The buying power of the Society resulted in not only a better deal for customers but also consistently higher margins for Kendriya Bhandar. A shorter buying process also improved inventory control.

Product :

In addition to procuring consistently better quality products.

- Kendriya Bhandar introduced packaging in convenient sizes wherever feasible, and displayed price on each product.
- Store formats were changed to provide for one entry and one exit for the customer, where the salesman computed the bill and collected the monies.
- Improved the visibility and access of products in store.
- The range of the product was increased both in width and depth, providing multiple choice to the customer.

These changes resulted in better quality, choice, access and visibility of products in stores with less dependence on staff.

Place :

- In selecting the location for operating a store, special attention was paid to the layout amenable to the concept of a 'self-service' besides the area

of the store. These were related - to the market-size to be targeted.

- The store format was changed from employee service to self-service.
- Kendriya Bhandar on wheels was introduced and about twenty additional stores were opened in between 1986-89.
- Kendriya Bhandar reach was extended to out stations like Madras (Chennai) and Bombay (Mumbai).

Promotion / Brand Building

- The opening of new stores was given wide publicity through media, including Doordarshan for local population. Kendriya Bhandar's press releases were published in the local and national newspapers.
- Additionally daily rates of the typical basket of goods was published.
- Some items of goods were sold on cost plus overhead cost basis targeting specific sections of the population.

This resulted in increasing awareness of Kendriya Bhandar's 'value for money' proposition, greater ease of reaching the stores for easy purchase of cost-effective groceries of high quality.

People

- Human Resource Consultants were hired to recommend restructuring of the organisation and to propose changes in compensation structure, commensurate with the employee skills, workload & cost of living.
- Pay packets and organisation levels were reviewed, jobs standardized and roles and responsibilities clarified.
- Surplus staff were identified and special training modules arranged to enable redeployment in positions, where there was need.

These changes also eliminated conflicts of interest and improved the ability of the management to direct the above programmed change.

The above resulted in improving employee morale across the Society which led to making Kendriya Bhandar a success story.

Changes in the top team were proposed / made to reflect the composition of the shareholding of the Society, inculcating greater responsibility.

Result

- Kendriya Bhandar's sales turnover increased manifold (over 150%) leading to, substantial increase in operating and net profits.

- It remains a viable and profitable business while its only competitor in co-operation field has downed the shutters.
- Investors started receiving dividend on their investment, which imbued confidence in the cooperative effort and faith in ability of the management.
- Most important, Kendriya Bhandar remains viable and profitable business that provides daily groceries to the targeted population and many more at competitive prices.

** Note : Shri P. Chidambaram the then Minister in the Ministry of Personnel, Public Grievances and Pensions*