



*“Complete solution for Retail Chain Operations”*

## **A White Paper on Retail Chain Issues**

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🚩 Candela is a software product for managing the operations of small to mid sized retail chains. Use of Candela guarantees significant improvement in sales to stock ratio. This means, a retail business can achieve existing sales levels with much less stocks thereby increasing profitability.

Candela is developed by a team of professionals having 15 man years of experience in retailing domain. Research has been conducted regarding the issues and problems of retail chain operations and solutions are designed which represent industry best practices. Candela has evolved during last three years of operation at leading retail chains of the country.

## **CORE ISSUES OF RETAIL CHAIN OPERATIONS**

### ***Mismanaged and un-optimized inventories:***

This is the most common and most crucial issue in managing retail chains. This issue is faced by almost all organizations although the impact may be acceptable or damaging. Some of the symptoms, which indicate that the organization needs inventory optimization, are listed below:

- Large quantities of finished goods are sold through clearance sales and thus profits are reduced.
- Sales-to-stock ratio is much less and lot of investment is stuck-up in finished goods inventories.
- Business is profitable but cash flow issues are dominant. Suppliers are continuously pushing for payments.
- Excess inventories are occupying warehouse space and also shop storages.
- There is mismatch between actual inventories in stores and system records. Discrepancies are found during stock takings and physical audits.
- Customer required items are missing in shops but are available in warehouses or other retail outlets.

### ***Inefficient point of sale operations:***

This is one of the reasons for customer dissatisfaction and lost sales. Some of the symptoms, which indicate that point of sale operation is inefficient and can further be improved, are listed below:

- Overcrowding on cash counters, especially on events like Eid and New Year.
- Invoice preparation is taking time and more than one customer is waiting for their turn.
- Inaccuracies in invoice data, like wrong entry of size and color of the product.

### ***Leakage and pilferage at retail outlets:***

This is one of the reasons for revenue loss to the organization and reduction in profitability. Some of the symptoms, which can lead to possible loss of revenue to the organization, are listed below:

- Physical audit and stock taking is a difficult and time consuming task.
- There is mismatch between actual inventories in stores and system records.
- It's difficult to reconcile shop and head office figures. If there are differences then it takes lot of time to figure out exact reasons.
- The shop sales and stocks data is available to head office with much delay.

***Information is inaccurate and delayed:***

Due to the nature of the business and decentralized operation, the required information for effective operational decisions is not available. Some of the symptoms, which indicate that organization needs improvement in decision support information, are listed below:

- Stocks and inventories are always in-transit. Either these are being sent from head office to shops, or vice versa. This information cannot be used while making stock transfer decisions.
- True comparison of product sales across different retail outlets is not readily available. This information is essential for making effective stock shuffling decisions.
- Lot of time is consumed in deciding about the distribution of available stocks to retail outlets. Therefore, stock transfers to retail outlets are often delayed.

***Use of reverse business model:***

Due to lack of required tools and information availability, most of the retail chains use reverse business model. In such a scenario, the head office is not in a position to prioritize and decide about the stock requirements of retail outlets.

Only head office *can* have total business picture regarding its operations across multiple retail outlets. Head office should make decision about stock transfers based on retail outlet relative performance, its available stocks, and the stocks which are in-transit for a particular retail outlet. However, this cannot be done effectively through manual or semiautomated ways of working. The symptoms which indicate the use of reverse business model, is given below:

- Retail outlets are sending their stock requirements to the head office.
- Head office is sending the stocks as per requirements of the retail outlets.
- Head office is not able to calculate stock requirements of the retail outlets due to incomplete and delayed information.

All issues mentioned above were experienced during research and interaction with actual users involved in managing the retailing operations. This involves people ranging from shop salesmen to business general managers and CEOs.

Candela provides elegant, effective, and practical solution to all the problems and issues listed above. There is no substitute to actual industry operation and performance improvement by incorporating suggestions and feedback from experienced users. Candela has this advantage which makes it a perfect and preferred business solution.