

# STORE CHECKLISTS

**A WHITE PAPER FOR ECR EUROPE**

*BY*

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**STORE CHECKLISTS:**  
**MAINTAINING STORE OPERATIONS TO CONTROL SHRINKAGE**

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## **Executive Summary**

Consumer goods retailing makes an important contribution to Europe's economy and key to the success of this industry are the many stores where consumers shop. One area where retailers can control costs is in the management of shrinkage and previous research for ECR Europe identified that the level of shrinkage in a store is strongly related to its management. This suggests that adherence to operational standards is a mechanism for controlling shrinkage.

The purpose of this research was to investigate how operational standards can be maintained in stores. This was achieved by reviewing previous research into this topic and by examining the operations of seven stores in three retailers. The findings from this work identified that the frequent use of a checklist can help optimise store performance and reduce the errors that cause shrinkage. However it also became clear that in order to develop a useful checklist there first needs to be a set of operational standards that describe 'what good looks like' for the key areas of a store. Putting the checklist to use meant using it at least once per day to audit the store against operational standards. Issues identified during this audit are written down and discussed with the store staff to assign responsibility for immediate resolution. Implementing these actions brings the store back in line with the operational standard.

The regional store operations manager plays an essential role in reinforcing good practice by reviewing the checklists completed since their last visit to the store. The regional manager should also review the way the daily check is carried out by conducting their own store review using the checklist and comparing their findings against that day's checklist completed by the store staff. Differences between the two sets of findings reveal discrepancies in the way the check is conducted which should then be addressed.

Where retailers follow a daily routine of auditing performance and actioning discrepancies they will maintain control of their store operations. This means their level of shrinkage should be minimised by reducing errors and mistakes and reducing the opportunity created by such errors for a range of malicious actions.

## Introduction

Retailing is an important business activity that contributes to Europe's economy through its turnover, employment opportunities and by enhancing the quality of life of citizens. The turnover of the retailing sector is a major contributor to the gross domestic product, GDP, in developed countries and is a driver of economic growth in developing nations. The employment opportunities provided by retailers cover a wide range of job types but particularly significant are the numbers of people the sector employs from high unemployment groups such as young adults and those with few formal qualifications. The sector is able to enhance the quality of life of the general public by providing convenient access to goods and services and also information on these items.

The success of retailers is dependent on a range of factors, not least the market niche they serve, the marketing mix employed and the ability to control costs. A major factor that affects retail success, which cuts across market sector and format type, is the effective management of store operations. The reason the store is so important is that this is where consumers interact with the organisation and where a majority of costs are incurred. These points of interaction between an organisation and its customers have been termed 'Moments of Truth' in recognition that these interactions provide retailers with the opportunity to satisfy or disappoint their customers. Effective management of store operations means continually maintaining standards as unmanaged, service and financial performance regresses to mediocrity. This means that retailers need constant control over their operations, which means that store operations require daily maintenance.

The ECR Europe shrinkage working group commissioned Cranfield School of Management to investigate store operations with the aim of developing a technique for retailers to employ that would help maintain standards. The remit of this work extended beyond the conventional boundaries for research into shrinkage. The reason for this broad look at the topic stemmed from prior work<sup>1</sup> that suggested an inverse relationship between the maintenance of store standards and levels of shrinkage, that is higher standards of store operations result in lower shrinkage. The prior research also identified checklists as a

technique that could be used in stores to identify areas of poor performance and highlight where management attention is required to maintain standards. This project aimed to explore this issue further.

## **Research methodology**

The approach used to understand retailing success factors, store operations and checklists began with a literature review to gain an understanding of existing knowledge. Having concluded the desk research, the next step in the work was to examine these topics in the field. This work studied seven stores in three retailers using a structured questionnaire to interview the store manager and by spending time in the store to observe and document the mechanisms used to maintain performance.

The interviews were transcribed and observations written up and fed-back to the informants to check for factual accuracy. The findings from stores in the same retail chain were brought together to produce a SWOT analysis for the company. A cross case analysis was then conducted to identify good and poor practice across the three retailers.

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<sup>1</sup> Beck, A. and Chapman, P (2003) *Hot Spots in the Supply Chain: Developing an Understanding of What Makes Some Retail Stores Vulnerable to Shrinkage*, ECR Europe, Brussels

## Findings.

The literature review revealed that checklists are used in a range of organisations for a variety of reasons. Notable examples appear in the aviation industry where checklists are extensively used, for example prior to every flight. The underlying reason for using checklists was found to be to optimise human performance. In particular they have a use in reducing errors by standardising operations and procedures. What also became clear was that checklists require careful design and proper use if they are to be effective.

The findings from the fieldwork in the retailers revealed a range of good practice on controlling store operations. Looking across these findings revealed a small number of key ideas. These ideas can be summarised around the notion of the “5 haves”. This is a set of things that need to be in place, as follows:

- Have a clearly described store standard
- Have a checklist based on the store standard
- Have a procedure for daily use of the checklist
- Have a mechanism to action deficiencies
- Have a mechanism to ensure checklist is used

This set of ideas is deliberately prescriptive in order to give practitioners a clear indication of what good practice looks like. The list is organised to provide a set of tasks that all need to be present to maintain control of operations. At the top of the list is the need to have a clear description of what the store should look like. This set of standards provides a reference against which operations are assessed against. A daily routine should be in place to check conformance against the standards and to address deficiencies. The final point is to establish a way to ensure that this daily maintenance is carried out. Each of these five points is discussed in more detail below.

### ***Clearly describe the store standard***

In order to guide the store management team and their staff, a clear guide on ‘what good looks like’ for the store needs to be established. This standard needs to strike a balance between being informative and easy to apply with the need to provide detailed, meaningful guidance. One way to achieve this balance is to compile a manual of operational standards. This manual provides an overview of the standards expected in the store and how these standards are applied around the store. This means that each of the areas around the store, e.g. the receiving bay or the checkouts, has its own section in the manual. Each section will include the name of the person responsible for maintaining standards, a picture of what good looks like and list of the key features associated with the area. For example, the checkout area might have an entry in the manual as follows:

Area;	Checkout
Person responsible:	Checkout operator
What good looks like picture	
Key features:	The checkout area is clean and free of rubbish and returned items. The checkout belt is clean. There is sufficient packaging for customers to use, including carrier bags; recyclable carrier bags and wine bottle holders. Customer information leaflets are well stocked. The checkout gate is closed when checkout is not in use.

Good practice is to gain the personal commitment of staff to maintaining standards. This can be achieved by devolving the responsibility to create the standard to the staff responsible for maintaining it. Engaging them can be achieved by asking them to answer the key questions of “what does good look like?” and “would you buy this?” Management’s role would then lie in ensuring this task is completed across the store and ensuring it is maintained over time, not least when there is a turnover of personnel.

**Base the checklist on the store standard**

The checklist is a tool to determine whether the store standard is being maintained. This means there needs to be a clear link between the operational standards and the points on the checklist. An example of this clear link is shown below.

Area; Checkout

<b>Operational Standards:</b>	<b>Check points:</b>
The checkout area is clean and free of rubbish and returned items.	Is the checkout area clean? Has rubbish been tidied? Have returned goods been processed?
The checkout belt is clean	Is the checkout belt clean?
There is sufficient packaging for customers to use, including carrier bags; recyclable carrier bags and wine bottle holders.	Is there sufficient packaging for customers?
Customer information leaflets are well stocked	Are customer information leaflets well stocked?
The checkout gate is closed when checkout is not in use	Are the checkout gates closed when the checkouts are not in use?

**Good practice in checklist design**

The design and use of a checklist will benefit from following a number of points of good practice. In terms of its design, the checklist should have a simple, easy to use format that reflects the design and layout of the store. The checklist should drive attention on to key issues such as out of stocks and the management of hot products. This means the checklist should consist of the vital few points needed to control the store, not the trivial many.

In practice there should be one store checklist and in larger stores there will be additional checklists for each of the major areas. The store checklist consists of a single page of key points that reviews the working of the store as a whole, across all of the areas of the store. An example of such a checklist is provided in Appendix 1.



This type of checklist needs to be used regularly and the results retained for inspection. This means it should be filed in a ring-binder or bound together in a booklet.

Larger stores, such as a hypermarket, can have additional checklists for each of their major areas, such as checkouts; the major sections of the store; and the back of store area. These checklists will also consist of a single page but their focus on a single area means they will be more detailed.

The criteria listed on all checklists are scored as having met the operational standard or not using a tick  or a cross . Where deficiencies are found there needs to be space on the form to record the problem.

### ***Daily use of the checklist***

Good practice in the use of the checklist is that its use should be devolved and it should result in an action plan to address deficiencies. Devolving the use of the checklist means that store staff use the checklist as a simple tool to ensure the area under their responsibility meets the operating standard. The top level nature of the store check means that the person who conducts it needs to be familiar with the operational standard required for each area. This suggests that it should be used by one of the store management team however there is merit in rotating the check across all members of the store team. Conducting the check is a good technique for store staff to learn how each area of the store should work. In assessing the work of others, each team member learns more about the criteria used to assess their own area and therefore encourages them to maintain standards.

Good practice was found to be to use the checklist at least once per day with twice per day appearing appropriate in very busy stores. The findings from this check are then reported to the store team in a daily team meeting, described below.

### ***Actioning Deficiencies***

The reason for using the checklist is to maintain store standards. This means that its purpose is to direct action to address deficiencies. The checklist provides a record that the check was completed, the points that need attention and the actions undertaken. Remedial

actions may take members of store staff away from their regular duties or they may require support from other members of the store team to complete some action points. This means that management should be involved. A useful mechanism for ensuring timely actions are undertaken was to hold a team meeting. Good practice found during this research was a ten minute store team meeting to review the results of using the checklist. This allowed the store team to inform management on the status of the store and to inform them of any points that need management intervention. The manager hosting the meeting allocated responsibility and a time for the completion of the action points. The progress of these actions was checked at the next meeting. In a large, busy store this meeting was scheduled at a specific time, twice per day.

### ***Ensuring the checklist is used***

The principle that guides the use of checklists and the checks on their use is that good results come from good procedures. The checking routines described below ensure that the checklist is used and good results are not left to chance. The store manager should conduct periodic checks on how the checklists are being used across the store. They should first make sure that checks are being done by examining the checklist record. This will show when the checks were conducted and what action points were recently identified. They should also conduct their own audit using a checklist and compare their findings against the store team's findings. The aim of this exercise is to maintain consistency in the use of the checklist. This means that the manager should share their results with the team to show they are either thinking the same way or to highlight and explain any differences.

In the same way that the store manager reviews the approach taken by the store staff so the regional operations manager reviews the approach taken by the store manager and the store team. The regional operations manager needs to first check whether the store team have been using their checklists by examining their records. This check reviews who is doing the checking, when they are done and how the action points are addressed. The second check involved the regional manager undertaking a review of the store using the store's own checklist. The aim of this review is to ensure that store operations standards are being maintained consistently across different stores. This means that the results of

this review are shared with the management team and similarities and differences discussed.

## **Summary – An action plan for retailers**

It is becoming clear that good store results are a result of good store management. Good managers do not leave performance to chance and set in place a daily routine to ensure their store is ready to trade at all times. This routine maintains the store against a clear set of operational standards that describe ‘what good looks like’ in that store.

In order to help the store team maintain standards, a store operations checklist is a simple tool that can be used to check how the store is performing. This checklist needs to be designed to reflect the format of the store, its layout and the types of goods that are sold. It also needs to be used at least once each day.

Where deficiencies are discovered, these are recorded on the checklist form. The findings from the store check are reviewed by the store team as soon as possible and actions put in place to rectify the deficiencies. The progress of these actions is reported at the next meeting.

Finally, the use of the checklist needs to be reinforced by the store manager and by the senior operations managers across the retail chain. This means that the store manager needs to periodically use a checklist themselves to ensure the checklist is being well used. Likewise, when regional operations managers visit a store they need to check that the checklists are being used each day and conduct their own audit of store compliance to ensure the checklist is being used consistently between stores.

## Appendix 1. An Example Checklist

<h1>Daily Store Checklist</h1> <p>Week: _____ Day: _____ Time: _____</p> <p>Completed by: _____</p>			Store departments														Back store areas										
			Overall Store	Exterior	Fresh produce	Meat	Deli	Dairy	Bakery	Frozen	Customer returns	Customer cafe	Checkouts	.....	.....	.....	.....	Back yard	Overall storeroom	Security cages	.....	.....	.....	Staff canteen	Crew room	Staff toilets	.....
	Criteria	Target																									
1	House keeping #1: A place for everything																										
2	House keeping #2: Everything in its place																										
3	House keeping #3: Hygiene & cleanliness																										
4	Associate standards: availability, badge, presentation																										
5	Product Quality																										
6	Display standards																										
7	Availability & stock levels																										
8	Within Sell by Date																										
9	Rotation																										
10	Mark downs																										
11	Correct pricing																										
12	Application of security tags																										
13	Shrinkage awareness and visibility																										
14	Secure storage																										
<b>Remedial Actions</b>																											
	Description of problem or required action		Name of person dealing with issue													Deadline	Sign off										
1																Today											
2																Today											
3																Today											
4																Today											
5																Today											
6																Today											
7																Today											
8																Today											