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# NEW CHALLENGES FOR CONVENIENCE STORE OPERATIONS MANAGEMENT

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The author stresses the importance of management in the future development of the convenience store industry.

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## Introduction

Once the site has been selected and the store constructed, it is the responsibility of operations management personnel to develop the store. If the potential of the site is to be realized and maintained, it will require dedicated people to successfully plan, organize, direct, coordinate, and control the store's activities. This report is concerned with that cadre of men and women who help develop long-run policy as well as make the daily decisions that determine the company's future--operations management.

## Objectives

The general objectives of this study are to explore new challenges facing operations management in future years. Specific objectives are as follows:

1. Examine the role of middle management in convenience store firms.
2. Discuss management's responsibility--profits, performance, and people.
3. Suggest ways to improve supervisors' effectiveness.

4. Investigate alternative management styles.

## The Middle Management Challenge

During last year's National Association of Convenience Stores Operations Management Seminars, it was the participant's consensus that middle management consisted of those people in the organizational structure from supervisor to director of operations. Obviously, this concept is dependent on the nature of the organization (sole proprietorship versus corporation), size of firm, number of employees, geographical distribution, shape of organizational structure (pyramidal versus flat) and services rendered to mention a few determining factors. Regardless of how middle management is conceived, it certainly comprises the largest group of people who are usually called "managers" and are responsible for store operations.

Being between the store managers and the "brass" makes middle management positions difficult. Beside enforcing company policy and procedures on a daily basis, all of the control activities rests heavily on the middle management team. Additionally, sales responsibilities encompasses providing adequate inventory, trained people (suggestive selling), promotions, merchandising--both layout and follow-through of merchandising plans,

appearance, gas and specialty products, and keeping abreast of competition according to the consensus of NACS 1975 Operations Seminar participants. Expense management normally includes all of those items typically called controllables as well as security, inventory control, personal transportation and training. Looking to the future, one can forecast that competitive pressures and economic conditions will likely magnify the role of middle management personnel.

Preparing for the future challenges facing operations management requires an assessment of company conditions. A company is much like an individual. As it grows from infancy to maturity, interests and priorities shift. For example, 16 year olds may be concerned with immediate needs, how to organize talents and energies, and determining their identities. In contrast, their parents may be more concerned with how to maintain and preserve what they have accomplished. Likewise, a company in the infancy stage is likely to be pre-occupied with survival. During its youth, concern for developing an organization and evaluation procedures, achieving stability, and formulating a desirable image which can be identified and promoted may dominate. Once mature, company interest may shift to achieving a uniqueness and determining how to contribute to society. The danger lies in the tendency to become less innovative, more protective of acquired assets, fearful of change, unable to objectively assess one's position, managerially inbred, and top management may become bureaucratically isolated from operations. Obviously, this will place more reliance on operations managers, but what are the implications for the industry if more and more companies become "mature"?

### Management's Responsibility to Profits, Performance and People

Profits Generating profits is the name of the game. As a colleague recently said, "When your outflow exceeds your income, then your upkeep will be your downfall." Without profits a business cannot survive to provide employment, customer satisfaction, or other contributions to the community that supports it. Stockholders or owners, creditors, employees, and of course, their own family needs require that management meet their profit responsibilities. As has been mentioned, operations management plays a vital role in executive management's ability to fulfill this need. Profits can be generated through careful cost control and holding people responsible for those costs which they can directly influence, as well as developing sufficient sales.

Performance - The single store company can monitor performance and maintain control through direct observation of owner-manager. However, a multi-unit company finds this more difficult. Both must perform all of the standard management functions with planning and control occupying a major share of top management's time.

One cannot effectively evaluate performance without defining the key performance areas (KPA), and key performance indicators (KPI). This can be accomplished through a formal procedure such as with management by objectives and results or through a less formal procedure.

Key performance areas can be defined as activities, functions, or areas that are vital to the accomplishment of company objectives. A

universal list of KPA's is not possible due to many influencing factors, but several would appear in everyone's list. However, using key performance indicators to monitor financial, merchandising, or personnel key performance areas should be an aid to nearly anyone. Key performance indicators may be a quantitative measure such as a number, a ratio, a percentage, an index; or a qualitative measure such as a subjective report or description of condition.

People - This is a people business. All that is accomplished by a convenience store company can be attributed to people--customers and employees. Meeting customer needs under inflationary conditions has required store operations to make many adjustments. The average purchase declined from \$1.45 in 1973 to \$1.37 in 1974 according to Convenience Store News. With sales per store increasing from \$4,314 per week in 1973 to \$4,971 per week in 1974, the only explanation is an increase in average number of customer transactions from 2,975 per week to 3,628 per week from 1973 to 1974. Obviously, many are repeat customers which amplifies the need for customer relations, suggestive selling, and fast convenient service.

If people are to perform effectively, they need to know: goals, purpose, and performance standards. Labor costs represent 51 percent of the costs of marketing foods in the U.S., and this is up from 49 percent in 1974. Certainly, labor costs comprise 50 percent or more of the operating costs for the vast majority of convenience stores. All indicators point to advancing labor costs with little hope that offsetting technology will reduce average unit costs.

A major question that future operations management will have to solve is how can talented people be attracted

to and retained by the convenience store industry? With an image of long hours, low pay, and lack of future, being common among young people, there appears to be a need for improving the food industry's image. The convenience store segment of the industry has been characterized by permitting one to advance based on their ability and companies have invested money to help develop people (witness NACS educational program growth). This story needs to be told. Salary pressures, fewer hours, and improved working conditions are likely to receive attention in the future. Working with and through others will continue to be the primary requirement of management in the years ahead.

#### Improving Supervisors' Effectiveness

Why worry about supervisors? Because they comprise the largest segment of the middle management team. With 26,870 stores in 1974, the industry needed about 2,687 supervisors. Annual store growth rate has exceeded 2,000 per year throughout the '70's and is projected to exceed 2,000 in 1975. Thus, about 200 new supervisors will be needed this year. Operations directors must manage through the supervisor which emphasizes the importance of their professional relationship.

Selection - Supervisors are keys to company success. It is a difficult and demanding job. One might even ask why anyone would want it. Where will these key people come from? Several alternatives are available: develop them from within the company, hire for the position, steal from competitors, use route salesmen, in-laws, or take what you can get.

Selecting people for supervisors requires knowing what they are to do. This can be determined by evaluating

what they are doing (many are errand boys not supervisors), what store managers need from them and what you are willing to let them do. Job descriptions can follow which will lead to a set of selection criteria that can be understood by all. Our surveys have shown that other supervisors are the main source of candidates, but that executive management usually makes the final decision. The criteria most often used are past performance; people skills--compatible, motivator, management; and aptitude for the business--attitude and loyalty.

Orientation - It is important for the new supervisor to begin his career with a proper perspective. This can reduce frustration, apprehension, and future misunderstandings. One company has reported significant reductions in turnover as a result of instituting an orientation program. Regardless of who conducts the orientation, it should provide the new supervisor or any new employee, with an understanding of: industry history and trends; company history, philosophy and future; an explanation of operations including organization; importance of personnel to the convenience store industry; job description and potential career path. Obviously, depth of discussion may vary with level of the position.

Training - Training supervisors is a continuous process, but one key idea should dominate. Train, do not initiate! Far too often, training programs become initiation ceremonies instead of professional instruction designed to equip a person to perform a job. It is also necessary to be realistic. A company only needs one president. Training should be aimed at helping the person acquire results in the present position. A successful program should help the supervisor formulate goals and exercise controls. This will reduce

both the number and seriousness of mistakes. These controls can be preventive controls to avoid problems that might arise or they can be warning controls. Warning controls signal that a problem exists and requires attention. A successful training program should permit supervisors to enhance their likelihood of success both now and in the future, i.e., career oriented.

Motivation - Everyone seems to be seeking that one thing that will always stimulate others to behave as they want them to. But, as Appelbaum has pointed out, "people are not Pavlovian dogs, to be stimulated in the quest of controlled results" (1, p. 48). Abraham Maslow has hypothesized that man seeks to fulfill a set of needs in hierarchial fashion as follows:

1. Physiological

- a. Physiological needs essential to the biological functions.
- b. Safety needs such as freedom from pain and discomfort.

2. Interactions

- a. Love and acceptance needs.
- b. Esteem needs such as prestige, fame and recognition.

3. Self-satisfactions

- a. Self-expression and fulfillment needs.
- b. Needs to know and understand.
- c. Esthetic needs.

A knowledge of human needs is useful in customer relations as well as employee relations. Recognizing needs and mobilizing one's energies toward a goal is an internal, mental activity. Thus:

NEEDS ———> MOTIVES ———> ACTION.

People are unique and so are the things that cause them to behave the way they do. Some respond to the lure of money, while others respond to recognition. Our surveys lack scientific rigor, but they suggest that recognition is very important. This is not to say that money is not. However, it is possible that many convenience store supervisors could accept their income position if they received more personal recognition. On the other hand, money may represent a form of recognition which further amplifies its significance.

One thing seems certain. Each layer of management's perception of self-motivation and what motivates others differs from the perceptions of those above and below them in the organization. Operations directors indicated that praise and recognition were most important with money second. Whereas, executive management emphasized money. Operations directors stated that supervisors were motivated by money but supervisors indicated recognition. Careful research is needed to evaluate this issue before specific conclusions can be reached, but it appears that there is a great deal of confusion about sources of motivation. Obviously, age, location, company position, family needs, education, current income, self-esteem, and long-run versus short-run influence one's motivation.

Some writers have suggested a good system provides satisfiers and eliminates dissatisfiers. Others express the situation in terms of eliminating sources of frustration and capitalizing on the

inner forces that cause a person to pursue one thing instead of another. The difference between what one is and what one could be, can be attributed to motivation. Management's need is to integrate personal and business needs to accomplish common business objectives.

Evaluation - Evaluation or appraisal of a supervisor provides an opportunity for assessing present performance and future potential. Emphasis should be on professional development of the individual. Ideally, it should be frequent enough to reinforce desirable behavior and overcome difficulties.

There are differing philosophies regarding integration of evaluation and merit rating. In my judgment, the ideal system incorporates both simultaneously. But, the danger lies in the circumstance of having excellent performance and not being in a position to reward the person. Thus, as a practical matter many companies have separated these activities.

What should be evaluated? Evaluation should be based on performance standards that have been previously agreed upon. Whenever possible, objective measures should be used, also attitudes and conduct should be reviewed. Although less tangible than sales, objective indicators do exist for these areas. The supervisor should receive assistance in assessing his personal qualifications for his present job as well as in defining his strengths and weaknesses. A career plan can emerge from evaluating growth needs and potential.

Promotion and Management Development - If selection, orientation, training, motivation, and evaluation have been successfully integrated into a career development program, performance will be enhanced. For many

individuals, promotions will be a natural outgrowth. A management talent audit can assist operations and executive management evaluate the existing pool of skills. Growth forecasts can be used to determine how many people will be needed to fill certain positions for a given point in time.

Management development for the future will likely follow these trends:

1. Individually centered programs will be developed.
2. Specific, rather than general qualities will be developed as part of a long-range program.
3. Nearly anyone who desires to be "developed" will be--includes enrichment.
4. Both internal and external training sources will be used.
5. Self-study and personality development will be stimulated.

#### Alternative Management Styles

There is no magic formula that will guarantee success. Just as there are many ways to make a profit, there are many management styles and possible categorizations. One management expert has suggested that two extremes exist. The autocratic managers can be characterized as being dominant, hard driving, directive, controlling, and uses rewards and punishment. In the short-run, this is an effective approach but not in the long-run. At the other extreme, are the permissive managers. They tend to be tolerant, nondirecting, consultive and use rewards and recognition. This style is usually ineffective in both the short-run and the long-run. In between these extremes are the catalytic managers. Catalytic managers are objective, developmental, interactive,

adaptable to situation, and uses rewards and challenges. Both short-run and long-run results are excellent.

Most managers perceive of themselves as being catalytic when in fact few are. It must also be recognized that one may shift styles depending on conditions. An autocratic stance on employee stealing is very appropriate while a permissive approach may fit another situation. Evaluate your style. What do you tend to be? What would you like to be? How are you going to reach your goal?

#### The Future Is Now - Are You Ready?

The dynamic convenience store industry requires action today if one is to meet the challenges of tomorrow. Most of the results realized by your company during the next six months have been determined by your actions to date. Therefore, the idea that "The Future Is Now" is very relevant. The question is, are you ready for the new challenges facing operations management?

Industry growth has been fast-paced. In addition to shifting merchandising patterns to meet changing societal needs, the growth in numbers of stores and industry sales has been staggering. Historically, growth in number of stores and acquisition of the "good" sites has dominated company strategy but improving operations may dominate in the future. The tight money and high interest rate situation; general economic outlook; high operating costs; market saturations in some areas; inflationary real estate and other fixed costs; and, economic, social and political uncertainty have forced a slow down in growth of store numbers. The industry may be maturing or it may be experiencing a slight resting period before the race begins all over again. Perhaps the next race

will even be run on a new track as fast foods and gasoline continue to increase in importance.

Scientific management can be and must be utilized in this highly competitive industry. Scientific management reflects an attitude of orderly decision making that integrates objective and subjective considerations to arrive at decisions. Assessing management requirements for the future will demand one determine the strengths, weaknesses, and needs of existing staff. Internal and external training can be used to capitalize on strengths and improve weaknesses. Will more specialization result? Will organizational concepts have to be altered?

Financial needs have changed dramatically during the past three years. Looking to the future the cost and availability of capital will likely affect not only the rate of growth but the growth methods. For example, acquisitions and mergers are likely to become more important for example. But, do not kid yourself about profits either. Norwood has suggested at least four measures of profits:

1. Existence of profits--realistic depreciation and inventory should be used.
2. Sufficiency of profits-- develop standards to evaluate alternatives.
3. Profit mix--what categories contribute the most to profits.
4. Profit trends--base plans on projections.

Market analysis will be required to segment markets and appeal to them. This does not mean excluding mass market merchandising, but rather recognizing that people differ. Special efforts may be

directed at serving children, teens, young marrieds and the young at heart for example. Tailoring stores to community needs will be emphasized as competition increases.

What impact will the energy situation have? Many convenience stores have come to depend on gasoline income for 20-35 percent of total store income. If a shortage exists, what will replace gasoline as a source of income? What effect will the energy situation have on size of trading area? Transportation cost increases has forced many vendors to consider how often they can make deliveries. This may be a blessing in disguise if it encourages consolidated delivery systems that will increase efficiency.

Certainly store design will be altered to use energy more efficiently in the future. Lighting, heat recycling, solar systems, careful evaluation of frozen food and refrigerated display space, even point of purchase advertising will be effected.

How will the industry cope with consumer issues such as: sanitation management, open code dating, unit pricing, quality standards, nutrition labeling, product identification standards, prefabricated products, preparation and serving information, price image, and universal product code. Store managers will have to understand these and other issues and be able to answer customer questions intelligently and accurately.

Managing the young will also require adjustments. Many possess talent and have good ideas, but they will demand involvement, training for both career and personal development, and of course, they expect to be rewarded. There are many challenging opportunities that will have to be capitalized on because management is the key to the future.



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The author is indebted to many of his  
academic colleagues whose ideas have  
been incorporated in this paper. A  
special thanks to his business colleagues  
for their ideas, continuous challenge  
and insistence on realistic appraisals  
is offered.