

Reducing Tractor Supply Store Hours to Benefit Customers and Increase Store Revenue



Prepared for
Martin McCabe
Store Manager
Tractor Supply Store #1246

Prepared by
Molly Willing
Assistant manager
Tractor Supply

April 22, 2011

MEMORANDUM

DATE: April 22, 2011

To: Martin McCabe, Manager Tractor Supply Store #1246

FROM: Molly Willing, Tractor Supply Team Member

SUBJECT: Reducing Tractor Supply Store Hours to Benefit Customers

Here is the proposal that was approved for research on March 21, 2011 on the reduction of Tractor Supply store hours to benefit customers. The purpose of this study is to reduce company overhead spending in order to increase employee productivity, and to ideally increase store revenue.

Tractor Supply is losing business revenue by staying open extended hours in which not many customers are shopping or buying merchandise. The additional employee costs add extra overhead to the business, which reduces net profits. I am researching three proposed alternatives to our current closing procedure. The solution seems rather clear. We need to have less of a focus on staying open later hours and more of a focus on our customer service and store presentation.

I have studied many aspects of consumer shopping trends and costs within the store while researching this report. All of my findings support my first alternative, to close the store slightly earlier. By altering the closing hours of the store, sales would be minimally affected and a large reduction in company overhead costs would be the result.

I would like to extend my thanks to you for allowing me the opportunity to conduct this research and prepare this proposal. It has been a unique experience and I have learned a tremendous amount about customer service and revenue. If you have any questions about this report, please feel free to contact me by phone at 608-921-1768 or e-mail at molly.willing@uwrf.edu.

CONTENTS

List of Illustrations	
Executive Summary	
Introduction	
Decreased Customer Service	
The Customer Perspective	
Sales and Store Hours	
Cost Analysis	
Increased Overhead Expenses	
Conclusion	
Recommendations	
Alternative 1: Close the Store Earlier	
Alternative 2: Hire an Additional Employee	
Appendix A: Customer Service Survey	
Appendix B: Tractor Supply Company Mission	
Bibliography	

LIST OF ILLUSTRATIONS

Figure 1: Closing Tasks	
Figure 2: Number of Employees and Customers by Hour	
Figure 3: Photo Tractor Supply Employees	
Figure 4: Customer Service Survey Results	
Figure 5: Sales by Time of Day	
Figure 6: Net Profits by Time of Day	
Figure 7: Overhead Costs	

EXECUTVE SUMMARY

This report analyzes Tractor Supply Company's hours of operation, customer service, sales data, and overhead costs in order to present recommendations for the improvement of customer service and increased revenue by reducing store hours.

Current hours of operation in Tractor Supply store #1246 are not set up in the best interest of the store. The location of the store is in a rural, small town where all other businesses are closed by 7:00 P.M. This store makes only 4% of its sales after 5:00 P.M., but is open until 8:00 P.M. With employee costs, high overhead, and low sales, the store is not making a profit by staying open later.

The store has already decreased the number of employees during this time from the normal three to four during the day, to a skeleton crew of only two. These employees are responsible for not only customer service, but also for completing all closing procedures and preparing the store for the next day's opening. The problem here is that with customers still shopping in the store, employees are forced to try to accomplish two tasks at one time, customer service and store closing. Although there are not many customers shopping in the store during this time, balancing the two are difficult. As a result, employees are stressed and pressured for time which leads to a drastic decrease in customer service.

I have spent the last month researching possible alternatives to this problem. I have studied outside research articles such as "Improving Unit-Level Performance Through Better People-Practices," by Dan Hawthorne, which looks at improving customer service to gain more sales and an article by Bill Stoneman, that studied the effect of longer branch hours on convenience and customer service. I also analyzed internal company sales data, surveyed customers, figured overhead costs of this store, and performed a cost analysis procedure to determine lost revenue using our current procedures.

After all data had been analyzed, conclusions were drawn and several alternatives surfaced:

- Alternative 1: Close the store earlier
- Alternative 2: Hire an additional employee to complete only closing tasks

Reducing Tractor Supply Store Hours to Benefit Customers and Increase Revenue

INTRODUCTION

Tractor Supply Company is the largest and by far one of the fastest growing retail farm and ranch store chains in America. With over 1,000 stores located in forty-four states, it is no wonder why. Tractor Supply prides itself in exceptional customer service, friendly employees, and a winning attitude. Part of the reason for Tractor Supply's success is due to its strong management; steady sales plans, and low overhead costs. They keep a small staff and all costs are minimized due to strict cost analysis. However, last year store #1246, Prescott, Wisconsin, spent \$110,000 above budget in additional employee wages and customer service.

With increasingly tighter budgets and decreasing sales due to economic hardships, high overhead costs are affecting Tractor Supply more than ever before. The company anticipates that profits will fall behind that of last year for a variety of other reasons as well. The Tractor Supply store in Prescott, WI is a relatively small store with less of a customer base and fewer employees than many of the stores within the district. High overheads with this store are especially crucial as the profit revenue is smaller and net profits for this store are affected the most.

In focusing so much attention on company profits and reaching sales plans, customer service is often sacrificed. This is especially a problem in the hours leading to closing. Each employee has a previously set schedule and must punch off the clock at a designated time. Tractor Supply Company would benefit greatly if employees had this extra time in the store to more adequately supply customers with a better stocked and more organized store without sacrificing time while only serving a small percentage of customers.

The following report analyzes the effect of a refinement of company hours in order to maximize company revenue and greater store appeal to customers. Both internal company data and outside research were gathered to determine the best possible alternative to current procedures. A cost analysis was also done to determine the best option to cut costs and reduce overhead.

DECREASED CUSTOMER SERVICE

Tractor Supply Company prides itself in excellent customer service. With a relatively small staff, each employee is considered part of a “team” that keeps the store running. Customer service is seldom a problem during the busier day shifts when there are three to four employees working the sales floor and helping customers. Where we begin to see problems with customer service is in the several hours before the store closes. Only two employees are responsible for closing the store and are responsible for completing a designated list of closing tasks in the hour before closing and after the store actually closes. Each employee is required to follow a previously set schedule and must punch off the clock at a designated time after the store closes. This leaves a limited time in which to complete all closing procedures. See figure 1: Closing Tasks for a complete list of closing procedures with the number of employees and amount of time it takes to complete each task.

Task	Number of Employees Needed to Complete	Time Required to Complete (Minutes)
Take out garbages	1	20
Reduce cardboard boxes/ load cardboard crushing machine	1	5
Sweep sales floor	2	15
Clean check-out areas	1	5
Straighten service desk	1	5
File paperwork	2	20
Restock returned merchandise	2	10
Restock shelves	2	30
Refold and straighten clothing department	1	15
Collect shopping carts and baskets	1	10
Count down money in tills	2	25
Feed/care for chicks and rabbits	1	10
Secure all doors and alarms	1	5
Total		2 hours 55 minutes

Figure 1: Closing Tasks

Looking at the total allotted time for all tasks, it takes nearly three hours to complete the entire list. There is simply not enough time to do all closing procedures after the store closes so employees are forced to multi-task, waiting on customers and completing closing tasks. This of course, detracts from customer care and takes extra time to complete. Closing tasks take longer and customers have to wait longer for service. Some of the closing tasks take two employees to complete, which further detracts from customer service. Figure 2: Number of Employees and Customers by Hour shows the number of employees to the number of customers shopping in the store at give time periods through out the day. During the last quarter of the day, two employees are still responsible for 49 customers on top of closing procedures. If those two employees are trying to complete closing tasks, there is no focus on customer care.

Shift Hours	Number of Employees Working	Customers in Store
8:00 A.M. – 11:00 A.M.	4	112
11:00 A.M. – 2:00 P.M.	4	218
2:00 P.M. – 5:00 P.M.	3	156
5:00 P.M. – 8:00 P.M	2	49

Figure 2: Number of Employees and Customers by Hour

Not only is direct customer service affected by the closing procedures, but the limited time in which to do each task leads to hastily done procedures or procedures that remain completely undone altogether. Shelves often are not restocked, or restrooms may not be cleaned, all of this sets a bad image for the company in the eyes of the customer.

THE CUSTOMER PERSPECTIVE



Figure 3: Tractor Supply Employees

The Tractor Supply policy is to always make the customer top priority in the business. A strict company mission lists all of the company's core values and illustrates the basic philosophy behind why the customer comes first. APPENDIX B: Tractor Supply Company Mission, list the mission statements of the company. Figure 3 shows Tractor Supply employees waiting to assist customers.

Already in practice is the Successful Marketing (SMG) score for customer satisfaction. This “score” is gathered when customers call a 1-800 number and rate their experience shopping at Tractor Supply. Although this is a good indication of how satisfied our customers are, it contains biased results. Since it is open to all customers to call in and voice their views, often only negative comments are left, negatively affecting the actual score. A customer is more likely to call and report poor customer service than a positive experience. To get a less biased customer perspective a survey was given to 500 random customers. A full copy of this survey can be reviewed in APPENDIX A.

The results of this survey indicated that the majority of customers (63%) reported that they were satisfied with their service and shopping experience at Tractor Supply while 28% percent indicated that they were not completely satisfied for a variety of reasons.



Figure 3: Customer Survey Results

From a business perspective, this number is unacceptable. Nearly 1/3 of the customer base has had a negative experience with the company. This is an indication that there is a problem with the way customer service is handled. Figure 3: Customer Service Survey Results shows the percentages of satisfied customers, unsatisfied customers, and customers who were indifferent to the customer service they experienced while shopping at Tractor Supply.

SALES AND STORE HOURS

Store hours of operation play a critical role in the way closing procedures and customer service is handled. The store is currently open Monday through Saturday 8:00 a.m. to 8:00 p.m. and on Sunday from 9:00 a.m. until 6:00 p.m. often the busiest store hours are between 10:00 a.m. and 5:00 p.m. on any given day. Not many customers shop in the store later than 6:30 p.m. during the weekdays and after 5:00 p.m. on weekends.

Internal company data was utilized to determine the amount of sales by hour and exactly how many customers were shopping in the store during various times of the day. Figure 3: Sales by Time of Day illustrates the results of this data.

During the hours between 8:00 a.m. and 11:00 a.m., there were 112 shoppers in the store, which accounted for 28% of the daily sales. The busiest hours of the day were between 11:00 a.m. and 2:00 p.m., there were 218 shoppers in the store with 36% of daily sales. From 2:00 p.m. to 5:00 p.m., there were 156 shoppers in the store, which accounted for 24% of daily sales. After 5:00 p.m., sales began to taper off and only 12% of sales were made until closing at 8:00 p.m. Only 49 customers were in the store during these three hours.

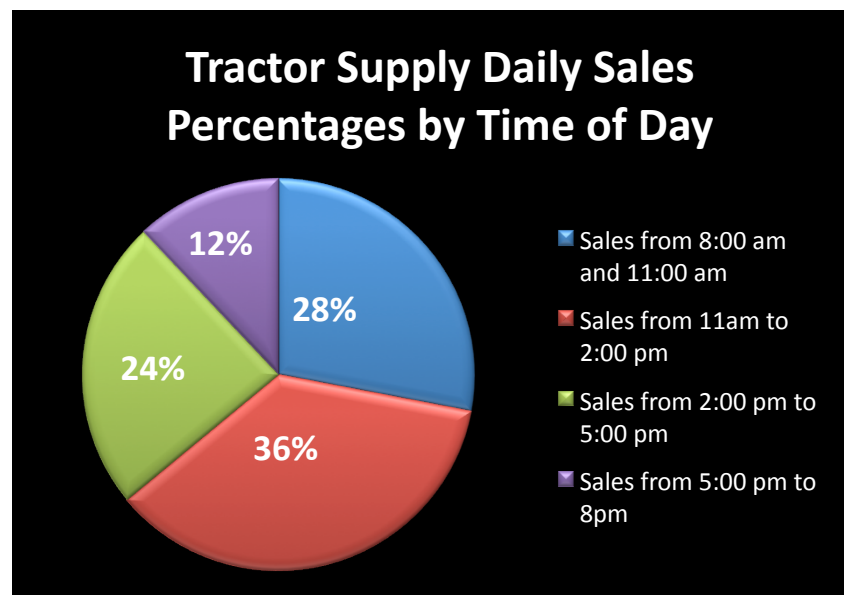


Figure 4: Percentage of Sales by Time of Day

With sales so low in the last quarter of the c expenses of keeping the store open versus c many customers shopping in the store, and calculations must be done to determine the gains or staying open. A cost analysis was done at this point in our research.

COST ANALYSIS

Sales plan averages around \$ 18,000. By examining the percentage of sales in each quarter of the day, I was able to determine roughly the amount of sales by hour. Figure 5: Net Profits by Time of day, illustrates these sales. During the final quarter of daily sales, 5:00 p.m. - 8:00 p.m., 12% of daily profits are obtained. This equals approximately \$2,160. If we divide this by three hours in each quarter, net sales by hour is only \$720.00. This composes only 4% of daily sales. By the time, we figure in employee costs and overhead, profits are drastically reduced and the store is not justified to remain open.

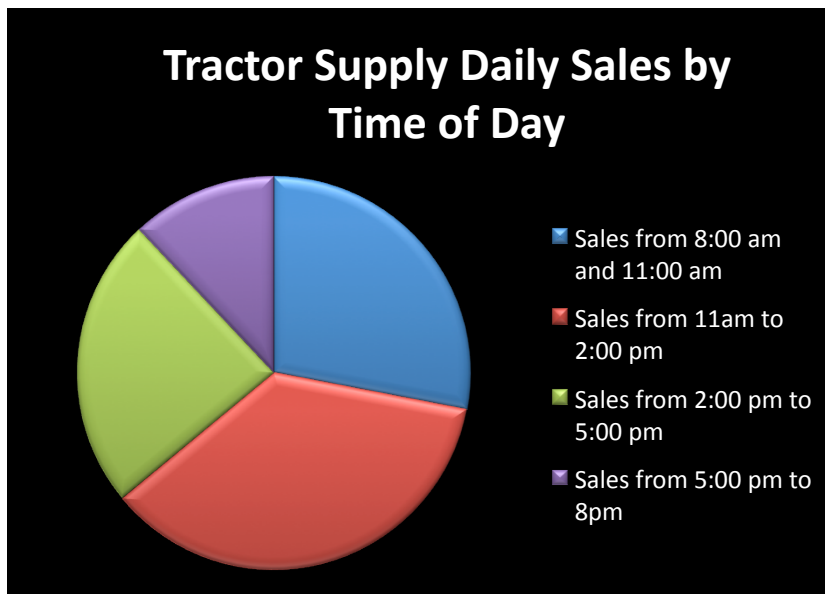


Figure 5: Net Profits by Time of Day

INCREASED OVERHEAD EXPENSES

Every hour the business is open costs the company in overhead costs. Overhead costs for the store include; employee costs, utility costs, insurance, maintenance costs, security, and general operating costs. Employee costs make up the majority of overhead expenses, the more employees on the schedule at a given time costs the store more to stay open. Building costs such as rent, utilities, insurance, etc., make up the second largest proportion of overhead, followed by security costs. Figure 6: Overhead Costs illustrates this information clearly. Each year company overhead costs continue to increase along with economic increases. We can expect these figures to steadily increase each year to keep up with inflation rates and increasing minimum wages for employees.

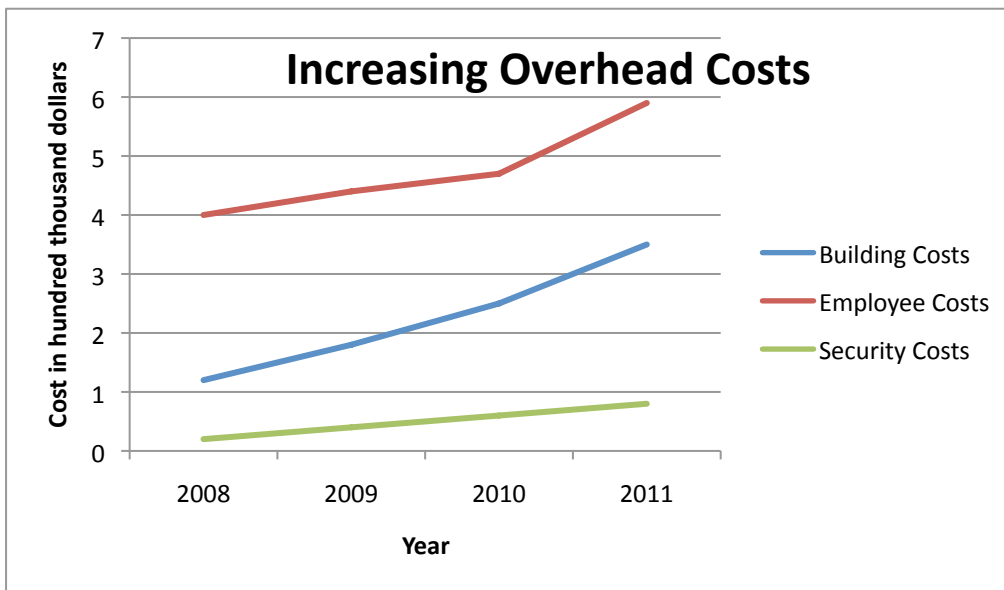


Figure 6: Overhead Costs

CONCLUSION

Based on the research conducted it is apparent that several alternatives be employed to improve customer service and reduce company overhead. By altering the closing time of the store or the closing procedures themselves, the completion of all tasks in an acceptable manner would be a given. The store would be clean, well stocked, and organized the following morning and the need to delay the store would be eliminated.

The primary goal of closing the store earlier would be to give employees the chance to better stock and straighten shelves and displays, increasing the organization of the store and working to make more products available to customers. Better recovery could be done in each department with an emphasis on proper labeling and product signage. There would be less rush for employees to complete the day's tasks in the remaining hour before closing and the distraction of waiting on customers while doing these tasks would be eliminated. The store would be able to close on time, if not earlier, than it would with its current procedures.

Also by reducing the hours of operation, company overhead is drastically reduced. The low number of sales in the last quarter of the day, between 5:00 p.m. and 8:00 p.m., did not justify the store remaining open. Employee costs and low sales hurt the net profits of the store and decreased the total revenue seen.

RECOMENDATIONS

The following recommendations are based off research data and are aimed specifically for the improvement of customer service and ideally an increase in store revenue.

Alternative 1: Close the store earlier

The first alternative would be to alter the closing time of the store. Open the store still at 8:00 a.m. Mondays through Friday but close at 7:00 p.m. instead of 8:00 p.m. On Saturday, the store would open one hour later at 9:00 a.m. and close at 7:00 p.m. On Sunday, the store would open at 10:00 a.m. and close at 5:00 p.m. and Employees would be scheduled until 8:30 p.m. Monday through Saturday and until 6:30 p.m. on Sunday. This option eliminates stress by allowing employees to do closing procedures after the store closes. This cuts down the time it takes to do the procedures by allowing both employees to work together to complete all tasks. The store is closing down earlier, avoiding some of the unnecessary overhead and customer service issues are no longer a problem.

Alternative 2: Hire an additional employee to complete only closing tasks

Hiring one additional employee just to focus on completing closing procedures would reduce the stress on other employees to complete all tasks. Regular closing employees would be able focus on helping customers until the store closes, while the additional employee would focus strictly on completing all tasks. The cost of hiring one additional employee at \$15.00 an hour would only add another \$45.00 to the current employee expenses. It would be worth the additional employee costs to have one more employee available for closing tasks. This employee would be able to free up two more employees for customer service.

Final decisions on selection of either alternative should be reviewed by upper-level management before procedures are altered. Managerial staff should be given the responsibility to develop and communicate the need for employee cooperation.

BIBLIOGRAPHY

"About Us." *Tractor Supply Company - Home*. Web. 19 Apr. 2011. <<http://www.tractorsupply.com/content/abouttsc/aboutuslanding>>. Gottheil, Jeffrey. "CAN I GET SOME SERVICE?" EBSCO Publishing Service Selection Page. Web. 22 Mar. 2011. <<http://web.ebscohost.com/ehost/detail?sid=ce4d16ef-9cf1-4695-9d7e-4f6d856e7c70@sessionmgr14&vid=1&hid=18&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ==#db=buh&AN=54590674>>.

Gottheil, Jeffrey. "CAN I GET SOME SERVICE?" EBSCO Publishing Service Selection Page. Web. 22 Mar. 2011. <<http://web.ebscohost.com/ehost/detail?sid=ce4d16ef-9cf1-4695-9d7e-4f6d856e7c70@sessionmgr14&vid=1&hid=18&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ==#db=buh&AN=54590674>>.

Hawthorne, Dan. "Improving Unit-Level Performance Through Better People-Practices." EBSCO Publishing Service Selection Page. Web. 22 Mar. 2011. <<http://web.ebscohost.com/ehost/detail?sid=fb0d20f8-49b0-4200-83cc-575f8f058f0a@sessionmgr14&vid=1&hid=18&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ==#db=buh&AN=48294765>>.

Stoneman, Bill. "Re Longer Branch Hours Convenient to Bottom Line?" *Business Solutions & Software for Legal, Education and Government | LexisNexis*. 3 June 2008. Web. 22 Mar. 2011. <[http://www.lexisnexis.com/hottopics/lnacademic/?csi=303174&shr=t&sr=BYLINE\(Stoneman w/3 Bill\) AND HLEAD\(Are Longer Branch Hours Convenient to Bottom Line?\) AND DATE IS 2008](http://www.lexisnexis.com/hottopics/lnacademic/?csi=303174&shr=t&sr=BYLINE(Stoneman w/3 Bill) AND HLEAD(Are Longer Branch Hours Convenient to Bottom Line?) AND DATE IS 2008)>.

APPENDIX A

CUSTOMER SERVICE SURVEY



This brief customer service survey serves to address service quality, value, speed, and level of responsiveness to customer needs.

Please rate the speed of service you received while shopping at Tractor Supply.

How much do you agree or disagree with the following statement:

The Store represents good value for the money.

Overall, please rate the quality of service that you received during this visit.

Did you have any questions or concerns while you were shopping at Tractor Supply?

Yes

No

Were you satisfied with the customer service at Tractor Supply?

Yes

No

Would you like a representative from Tractor Supply Company contact you regarding your concern?

Yes

No

If in the question above you indicated that you would like to be contacted by a representative of the Store, please provide your preferred telephone number below.

APPENDIX B

TRACTOR SUPPLY COMPANY MISSION

----- Mission -----

“Work Hard. Have Fun. Make Money.” For more than 70 years, these words have guided our success at Tractor Supply. They’re the basic philosophy behind every facet of our operation, and a big part of our mission:

To work hard, have fun and make money by providing legendary service and great products at everyday low prices.

At Tractor Supply, our business—and our growth—are based in values that are shared by the customers we serve:

Ethics. Do the “right thing” and always encourage others to do the right, honest and ethical thing.

Respect. Treat others with the same personal and professional consideration we expect for ourselves.

Balance. Manage your time for both business and personal success.

Winning attitude. Have a “can-do” attitude. Be positive, upbeat and focused. We are winners!

Communication. Share information. Ask questions. Listen effectively. Speak thoughtfully, and let ideas live.

Development. Learn from each other. Teach, coach and listen. Create an environment where everyone can be a star.

Teamwork. Value different viewpoints. Execute the agreed-upon plans. Together, everyone achieves more!

Change. Accept it. Embrace it. Initiate it. Do everything better, faster, cheaper.

Initiative. Seek opportunities. Use good judgment. Take intelligent risks. Champion ideas.

Accountability. Know your responsibilities. Live up to your commitment.



The Tractor Supply Mission & Values are supported across the organization - from team members in the field, at the store support and distributions centers, among our leadership team as well as by our Chairman and CEO, Jim Wright (pictured above).

