Development of a Strategic Plan for a Retail Company in the Kingdom of Saudi Arabia using Balanced Scorecard

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Abstract— The sales of the beauty care department in a leading retail company has shown a negative trend due to economic crises, VAT implementation, and introduction of foreigner's renewal fees. The present study aims to identify the problems and develop a 360 strategic plan for the beauty care department. The objective is to enhance department sales and regain the lost market share. Data has been collected from the company data repository (BI) and Nielsen market share. Analysis reveals that strategic decisions like promotion adjustment and introduction of new brands can grow the sales up to 13%. Moreover, the margin of the department has been enhanced by 5% due to the application of blue ocean strategy. Inventory management especially under Covid19 crises is one of the elements, which can be tackled under the financial perspective. Similarly, customer awareness can be created by focusing on flyers and social media. The two segments of higher ticket brands can be used to uplift the basket size of the department and encourage customers to spend more money on these items. Furthermore, Balanced Scorecard is used to develop a strategic plan covering the perspectives of financial, customer, internal processes, and organizational learning. The findings of the study can be beneficial for organizational leaders to enhance the productivity and profitability of their respective organizations in the challenging times of COVID-19.

Keywords— Balance Scorecard, Category Management, Retail Industry.

I. INTRODUCTION

In one of the biggest retail companies in the Kingdom of Saudi Arabia, when the economic crises happened in 2017, it has impacted all retail companies. Still, the impact on this company was higher. Besides, after VAT implementation beginning of 2018 the decline increased even more, the company was looking for the sales decline on the department level. The biggest decline was coming from Grocery Non-Food and particularly from the Beauty Care department by -20% in Jan 2018 vs. last year, this decline is not totally resulted by the economic crises as the market decline was -7% which means that the company is losing massive market share, management concluded that

strategic plan has to be done in Beauty Care department using Balanced Scorecard Model.[1-3]

II. LITERATURE REVIEW

2.1 Retail Background in Saudi Arabia

Retail is an old activity start over 2,000 years back; Mecca was the center of the middle east trade, as Mecca was being visited by all Arabs and engaged in commercial activities (Buying and Selling). The establishment of modern supermarkets in Saudi Arabia was of very recent origin. It dates to 1979, Souks Company, Ltd. in Dhahran was opened, which operated under British management.

Today, Saudi Arabia's retailing industry is categorized into organized and unorganized sectors. In recent years, the industry has seen the steady growth of large, organized retailers and, soon, Saudi Arabia's retail space will be dominated by these large retail companies. In last two decades, organized and multi-product/multi-outlet companies have expanded aggressively, and targeted consumer segments have responded well. Multi-national retail companies and brands, such as Carrefour, IKEA, LuLu, Extra, have been drawn to Saudi Arabia's growing retail market, and many more international brands are now in the pipeline to enter its market. In Saudi Arabia, the local retail sector is uniquely dominated by family-owned business groups who focus on acquiring exclusivity and franchise agreements with well-known international suppliers and brands. The key players in this arena are Al-Othaim, Al Hokair, Savola Group, Jarir, Majid Al Futtaim, Bin Dawood, and LuLu, which account for roughly 60 percent of the organized retail market.[4]

2.2 10 Strategies to Maximize Store Productivity

1. Embrace Real-Time Retailing.
2. Empower Store Managers.
3. Monitor Store Touch Points
4. Direct Traffic More Effectively Through Better Merchandising
5. Reduce Shrink with On-Shelf Tracking Analysis.
6. Enhance Multichannel Marketing.
7. Create Better Retailer-Supplier Collaboration
8. Leverage Existing Infrastructure and Integrate In-Store Systems.
9. Install Best-In-Class Equipment.
10. Plan for Future Growth.[6]

2.3 Balance Scorecard Model

The Balanced Scorecard (or balance score card) is a strategic performance measurement model developed by Robert Kaplan and David Norton. Its objective is to translate an organization's mission and vision into actual (operational) actions (strategic planning), Balance Scorecard Method has four perspectives:

1. Financial Perspective.
2. Customer Perspective.
3. Internal Business Processes.
4. Learning and Growth.[7]

Balance Scorecard is the method that can transform the strategies into actions in different functions in the organization "Balanced Scorecard is not about strategy; it is about making strategy actionable". [8]

2.4 Balance Scorecard Model

In this study, the authors have adapted the Balanced Scorecard model as a decision-making framework to build a holistic model of RFID-enabled changes throughout retail store operations, including marketing, merchandising, and supply chain management, a Delphi study for 10 consultants and senior managers from leading U.S. retailers, has been conducted. Below is the Balanced Scorecard model that was adapted for item-level RFID:
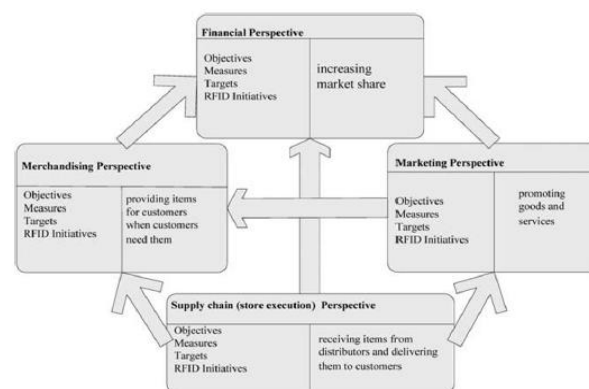

Fig. 1: Item-Level RFID Balanced Scorecard Model

After that authors have indicated the performance measure for each indicator for every perspective of Balanced Scorecard perspectives.[9]

III. RESULTS AND DISCUSSION

A Strategic plan developed for one of leading Retail Company in Saudi Arabia using Balanced Scorecard model, the four perspectives of the model are below, the plan set, and the impact measured for each of them

- Financial Perspective.
- Customer Perspective.
- Internal Processes Perspective.
- Organizational Capacity Perspective.

3.1 Functional Perspective

Sales, Margin, and Inventory; are the three main elements of Category Management, as they are the main KPIs' for commercial, as they directly impact the company Cash Flow, Net Profit and Market Share.

3.1.1 Department Sales

Sales are the most important KPI for any retail company; they influence other KPI's (Margin &

Inventory). The higher the sales, the higher the market share, leading to higher brand equity, which defines the company value. Below are the main pillars and their impact on department sales.

3.1.1.1 Promotion

It is the primary sales driver for the Beauty Care department, as the data shows that the Beauty Department is the highest promo mix in the company out of over 30 departments. Promotion Tracker file developed, which is the level for the group of SKUs that promoted together to measure the promotion performance. The tracker will help to track offers to know the prices and offers performance for all the promotions which done last year to maintain the same prices to keep the same average sales, and it will also help to know which offers didn't perform well to avoid repeating the same promotion during this year. Below is an example of the promo tracker for Head & Shoulders Shampoo:

Table.1: Promo Tracker (Head & Shoulders Performance)

WK	WK Type	Slot	Offer	VAT Retail	Discount	T. Qsold	T. Sales	Margin %
5	PW	HEAD&SHOULDERS SHAMP 400ML	2	21.90	50%	60,076	624,354	5.0%
9	PW	HEAD&SHOULDERS SHAMP 400ML	1	11.95	45%	35,665	405,264	11.4%
4	PW	HEAD&SHOULDERS SHAMP 400ML	1	11.95	45%	32,867	373,279	11.5%
13	PW	HEAD&SHOULDERS SHAMP 400ML	1	11.95	45%	32,838	373,111	11.4%
12	NPW	HEAD&SHOULDERS SHAMP 400ML	1	10.95	50%	41,206	429,047	5.1%
1	NPW	HEAD&SHOULDERS SHAMP 400ML	1	11.95	45%	34,303	389,758	11.5%
16	NPW	HEAD&SHOULDERS SHAMP 400ML	1	10.95	50%	37,408	389,581	6.0%
20	NPW	HEAD&SHOULDERS SHAMP 400ML	2	21.90	50%	33,492	369,724	5.3%

3.1.1.2 Missing Assortment

The assortment carried in the stores needs to be reviewed and compared against the local market's assortment to cover the gap in the customer needs.

Colour Me is an example of these new brands; it has incremented the category by 700,000 S.R. per Quarter, which is almost 230,000 S.R. per month.

Table.2: Colour Me Performance Sep-Dec (2019 vs 2018)

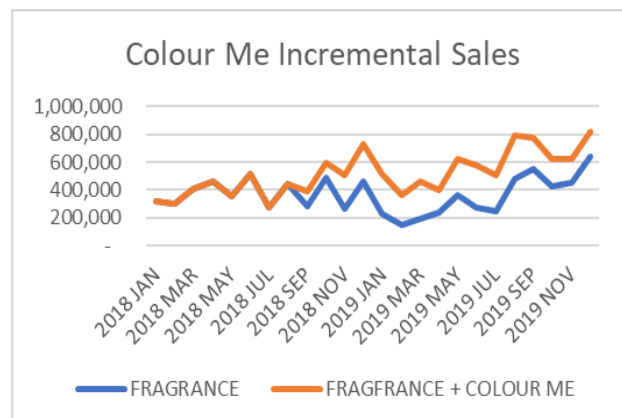| Segment	2018 Sep-Dec Sales	2019 Sep-Dec Sales	Growth
FRAGRANCE	1,489,540	2,070,299	39.0%
COLOUR ME	733,833	770,652	5.0%
TOTAL FRAGRANCE	2,223,372	2,840,951	27.8%

Fig. 2: Colour Me Incremental Sales in Fragrance

3.1.1.3 Availability

Availability has always been an issue in the retail industry, as it is related to inventory, which leads to company cash flow. Carrying the right assortment, getting the right offers is not enough to drive sales; the company must secure stores' availability. Some of the top items run out of stock before the promotion period ends; increasing the forecast for these items can increase the average sellout. But it must be with an exit plan in order not to end up with overstock. Below is an example of one of the Hair Care items; the average sellout increased from 2,000 to 5,000 pieces:
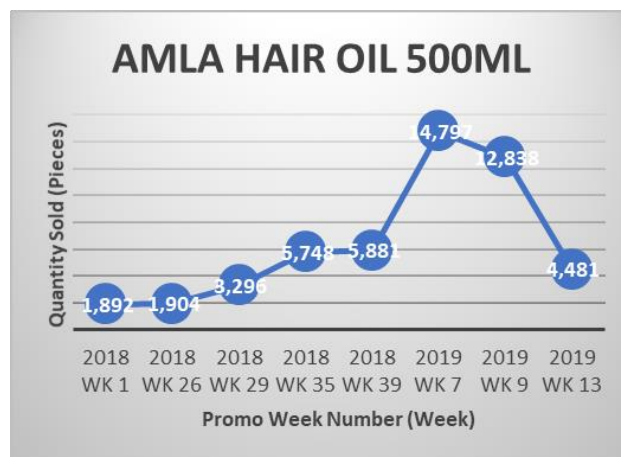

Fig. 3: Amla Deals Weekly Quantity Sold by Pieces

3.1.1.4 Creating Season in Non-Season

All year quarters are full of seasons and events except the first Quarter of the year. The commercial team arranged a meeting with the marketing team; the meeting ended with a new Beauty Event in the First Quarter. Beauty Event positively impacted the department sales growth by 39% compared to last year's same period. In comparison, the total Quarter has shown an increase of 20% vs. the previous year same period.

3.1.2 Department Margin

The margin represents the profitability of the company. The Beauty Care department is a margin generator department, yet due to the high promo mix, as mentioned earlier, the margin reduced to get competitive prices in the market. Below are the points which have been worked on to enhance department sales:

3.1.2.1 Regular Price Periodic Review

The departments' essential items prices are periodically changes in the market. These items are frequently purchased; customers know their prices, so keeping the prices competitive keeps the company image.[11] Usually, the margin is low in these items to stay competitive. Sometimes the market increases the prices, which is an excellent chance to increase the prices and make additional profit.

Table.3: Periodic Price Review (Fair & Lovely Face Cream)

NEW Description	Peer 1 Price	Peer 2 Price	Current Retail		New Retail	
			Retail	GM%	Retail	GM%
FAIR & LOVELY FACE CREAM	22.95	24.90	21.95	11%	22.95	15%

3.1.2.2 Assortment Differentiation and Exclusivity

One way to get a better margin is to negotiate for a better depth of discount on well-known items while maintaining competitive market prices. Still, it is tough to do due to massive sellout, reflecting on money invested on these items. There is a strategy called Red Ocean and Blue Ocean:

- Red Ocean: it is about competing in the existing market space, beating the competition in this market using this market's demand.

- Blue Ocean: it is about creating uncontested market space and making the competition irrelevant by creating new demand.[12]

Introducing a new brand or creating new demand will help to get out of the red ocean to the blue ocean, no need to invest massively in the margin as these items are mostly exclusive.

3.1.3 Department Inventory

Inventory is the stock carried by the department measured in value (S.R.), which is the total items worthy carried by each department. There is a monthly target for each department, the target classified into:

- Total Inventory.
- Discontinued Items Inventory.

The target is reviewed monthly, and the manager needs to track the inventory throughout the month, as it directly impacts the OTB (Open to Buy). If the target is exceeded, the department will not have the authority to release orders for any item. An action plan is required for all discontinued items (out of range items).

3.1.3.1 Corona Impact

Whenever there is an economic or health crisis, the most impact department is Beauty Care, as it is not an essential department like food (Oil, Rice, Sugar, etc.). If the customer cuts the cost, they will stop purchasing Body lotions and creams other than stop purchasing food items.

Every year, planning and ordering for Ramadan and Beauty Event happen in the First Quarter. Purchasing has been done based on last year's season sellout. Still, unexpectedly, corona took over, and the sales of the biggest season have massively impacted (May):
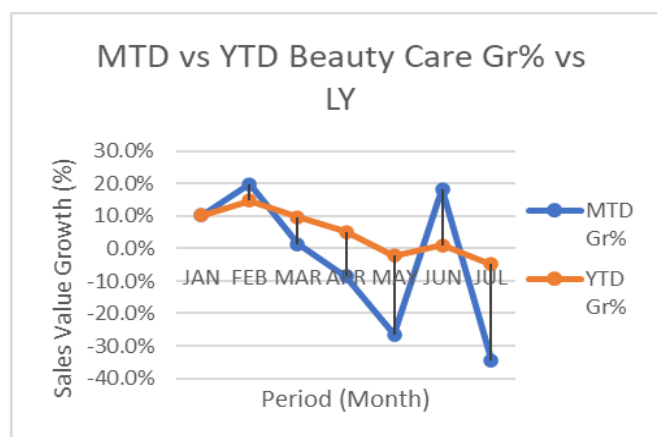

Fig. 4: MTD vs YTD Beauty Care Gr% vs LY

This decline in sales during Apr and May has resulted in having high inventory, which led to having negative OTB. It became a severe issue as the inventory target exceeded by -38M and -24M in Apr and May. Management has decided to stop the purchasing for the entire department; any purchasing should be as a Special order with management approval; multiple actions have taken to reduce the inventory:

- RTV (Return Stocks to Suppliers) or Aggressive Liquidation plan with a 50% discount for the discontinued items (Out of Assortment items).

- Physical Count for some of the brands knows for a high stock loss like perfumes, exercise done on two brands Ogx and Colour Me, which reduces the inventory by 335,000 S.R. away from other brands included.

- The manager will review all the raised orders, especially for items classified as slow-moving items.

These are the main action taken to reduce the inventory and reach positive open to buy by Jul.

Table.3: Monthly Inventory Value, Target and OTB

MONTH	TOTAL INVENTORY (M S.R.)	INVENTORY TARGET (M S.R.)	OTB (M S.R.)
MAR	159	152	-6
APR	161	123	-38
MAY	153	129	-24
JUN	145	139	-6
JUL	147	151	4

3.2 Customer Perspective

The goal of all retailing process is the customers and their needs. The customers must be satisfied in terms of item assortment (All the customers' shopping list to be fulfilled). Educating the customers about the current assortment and their benefits and making their shopping a magical journey by enhancing the shopping experience (make them spend the maximum time possible in the store), as the more they stay, the more they buy.

3.2.1 Flyer Segmentation

Previously the offers on the flyer were added randomly, which is confusing to the customer. the right decision is to group the items as per the customer's needs. Customers can find all the items within the same category allocated together. They can compare the offers and choose among them easily.

Customers questioned their opinion on whether they prefer to see all related products on the same page, or it is preferable to see the segmentation by the supplier; 89% of the customers strongly agree or agree to see products within the same category allocated together.

3.2.2 New Brand Launch

The most critical lifetime of a brand is the launching period; the more significant the launch, the most likely these items will succeed, below is the main element of a successful new brand launching: Leaflet Artwork.

- Social Media.
- Blogger.
- Secondary Display.
- Promoters & Sampling.

3.2.3 Shelf Presentation

Shelf presentation or shelf display is the way of arranging the items on the shelf and make it easy for the customer to find the product that they are looking for according to the CDT (Customer Decision Tree).

3.2.3.1 Layout and Planogram

The store layout is the allocation for each category inside the stores. Planogram is the allocation of the items within the shelf; each category has it is own Planogram. Layout adjusted to reallocate each category near the related categories. Cooperating with one of the leading companies, the Planogram for Hair Care and Hair color has been defined based on actual studies and customer decision tree.

3.2.3.2 CAT-MAN

As Planogram defines the segmentation for the categories and allocates the items within the category shelves, the CAT-MAN is the branding, shelf dressing, and communication. A customer survey has done; if they can classify the brands to their correct segments, only 22% of the customers were confidently saying that they know all shampoo brands, while 45% of the customers can't classify the brands. The customers asked if they prefer CAT-MAN implementation and whether it will help them find their desired products. 78% of the customers strongly agree that implementing the CAT-MAN will help them select their desired shampoo.

After CAT-MAN implementation, category managers measured the performance. It found that natural segments have driven the growth, and it was grown higher than other stores without CAT-MAN, which means the customers are more aware of the segments and brand positioning.

- Hair Care grows by 15% while all stores increased by 5.6 % for the same period, mainly driven by Natural, Treatment, and Professional segments.

- Hair Color grows by 58%, while all stores increased by 39 % for the same period, mainly driven by the No Ammonia segment. It becomes a Rank #1 segment in the pilot store; however, it is # 3 in all stores, which indicates that the CAT-MAN educated the customers about the No Ammonia segment.

3.3 Internal Process Perspective

Internal processes, the main point of internal process and improvement, make the tasks more efficient and require less time to get the jobs done, especially in retail. The business is dynamic, and every day has it is own challenges. The company needs to be flexible to react accordingly.

Many company processes have improved as Item Status Change. It is an excellent example of that, as previously, it required a printed form signed by four employees to get it done; if any of them is not available in the office, the signer will delay the task. Currently, this task is automated, and all approves can approve through the system.

The survey participants have been asked about the task that is consuming most of their time, listing a new item has been ranked #1 by 55% of the participant, then BDF calculation has been ranked #2 by 55% of the participant, while price change selected as the least time-consuming.

The participants requested to rank the tasks that need to be improved. Promo plan preparation has been ranked #1 by 55% of the participant, then new listing ranked #2 by 36% of the participants, while again, price change has been chosen as the least time-consuming task by 73% of the participants.

3.4 Organizational Capacity Perspective

This perspective is about the company's ability to grow it is learning and knowledge; it could be through training courses or even experience sharing. The Author surveyed the new joiners in the commercial on whether they received proper training from the company on their daily tasks; and if their manager has shared with them their experiences. Eleven employees participated in this questionnaire, 81.8% of the new joiners have recommended attending the new joiners program provided by the company, but only 45% receive training on their daily tasks.

Employees' survey indicates that the workload is very high, as per 81.8% of the survey participants. In comparison, 18.2% believe that the workload is high. This increased workload in the company could be why the lack of communication between the seniors and the juniors prevents them from sharing their experience.

1. Did the company provided any training program for a you as a new joiner?
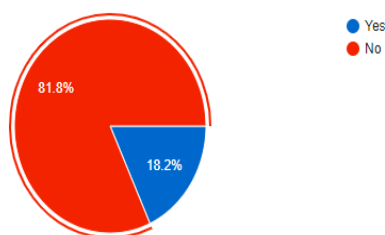11 responses

Fig. 5: Employees Survey (Q1)

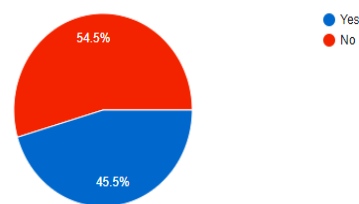2. Have you attended any training for the daily tasks when you joined the company?
11 responses

Fig. 6: Employees Survey (Q2)
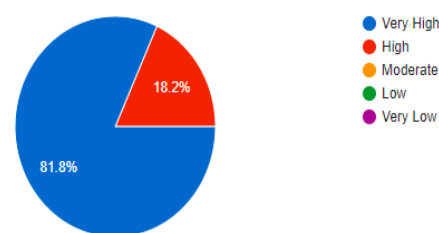
5. Rate The Company Workload:
11 responses

Fig. 7: Employees Survey (Q5)

IV. CONCLUSION AND RECOMMENDATION

Having a higher decline than the market indicated a missed opportunity and that the decline is not only due to economic crises; after setting a plan for the department using the Balanced Scorecard Model, the Author addressed many conclusions and recommendations.

4.1 Conclusion

- There is a gap in the company's assortment compared to market assortment, which reflects on missed sales opportunities; the example of Color Me, Ogx, and Salon Treatment is an indicator of it, these brands as a total are adding 425K incremental sales each month.

- There is a missed sales opportunity for the current assortment sales due to low availability for some critical items. Amla was an excellent example as the average weekly Qty sellout increased from 2,000 to 5,000 pieces.

- Campaigns can drive customers to purchase more if planned well Flyer, Social Media, Display, as first-quarter Beauty Event-driven the sales by 38% during the event and the total Quarter by 20% even when there was no actual season.

- Some of the items considered are slow-moving by supply chain, while the actual situation is that their

movement impacted due to low stock accuracy Ogx and Colour Me were an example to it with 335K S.R. stock loss.

- Customers prefer to have a segmented shelf presentation to have a more comfortable shopping journey, as 78% of the customers cannot segment the shampoo brands.

- 81.8% of the new joiners have received a general introduction about the company, while only 45% have received daily tasks training.

- All employees consider the company a very high workload, 81.8%, or high workload of 18.2%.

4.2 Recommendation

- Using new selling tools away from promotion like attractive display, promoters, beauty advisers, and CAT-MAN implementation.

- Utilize Promotion Tracker to define the best price and best Qty offer based on historical data to capitalize on every sales opportunity.

- Forecast of some of the critical items needs to be increased based on the mentioned criteria and ensure that it is with an exit plan to reach the items' maximum sellout limits.

- Creating an event can make it refresh when the market is down, driving sales in the low base season, reflecting positively on the full year's performance.

- Increasing the prices for the non-sensitive price items, introducing new items with a higher margin than the category average (Red to Blue Ocean), reviewing top-selling items regular prices, these are the ways to enhance the category front margin.

- Schedule Physical Count exercise for the items, especially high-ticket small items, and the items which can be easily damaged like perfumes to adjust the system stock accuracy.

- CAT-MAN implementation can educate the customer and enhance their shopping experience in the stores. Nowadays, it is trendy to go natural and healthy; it noticed in CAT-MAN stores that Shampoo Natural segment showed higher growth than other stores by almost 20%. While No Ammonia jumped to Rank 1 while in other stores, it is Rank 3 with 27% higher growth in the CAT-MAN store, which indicates that the customers are educated about the items.

- Only 45% of the new joiners have received proper training on their daily tasks; one reason could be that the company is high work loaded company. The employees can't give appropriate attention to the newcomers. Improving the tasks' current process might increase employee interaction and guarantee the experience delivered to the newcomers.

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