

Email

FROM: Hugh Bonifacio, GM - Finance & Administration

TO: All General Managers

SUBJECT: Proposed Retail Division Restructuring

Executive Summary

John Readings has been reviewing its retail division structure in line with the takeover of its two primary competitors - expansion into all significant regional cities throughout Australia (see detailed plan outlining what cities will receive new stores and/or competitor stores will be rebranded) and the new online division start-up (ref. strategic plan).

The recommendation of the review is that all retail businesses be restructured to conform with the new direction these retail shops are taking, i.e. implementing customer service advisors instead of sales and service staff, installing cafes in all stores generating more than \$100K per annum, streamlining both customer service staff and warehousing staff to reduce stock on site and take advantage of the same-day delivery services provided by the online division.

Background

The company currently operates 41 retail outlets across Australia (mainly in capital city locations) with an average of 10 staff per store. With the move to customer service advisors and the planned outsourcing of the cafes, the plan is to cut the salary bill by two thirds. We estimate with the changes to the stores, an average store will only need two to three staff, one of which will take on the store coordination (all orders and decisions will be made centrally using the resources now available through the online division).

Current situation staffing estimate

1 store manager + 9 (EFT) = 410 EFT.

Planned restructure staffing estimate

1 coordinator + 2 (EFT) = 123

Jobs to be redeployed/redundant: 287 EFT

Competitor Takeover

Alongside this internal restructure, the company has acquired two of its key competitors with the following statistics:

Competitor A

22 Stores mainly in city locations with an average of 5.5 EFT per store = 121 EFT.

Competitor B

18 Stores located mainly in large regional centres with an average of 3.4 EFT per store = 61.2 EFT.

It is expected that all 40 of these merged stores will operate in the same manner as the John Readings stores and with the same staffing ration.

While the job titles and skill sets of these staff is not yet clear nor, is their willingness to take a job offer from John Readings, it is estimated that, of the current 182 EFT positions currently on paper, the restructure will mean that there will be approximately 120 EFT in excess.

Summary Staff Requirements Retail Division

Current position: 582 EFT (JR Retail stores + merged stores).

Required positions with restructure: (123+62) = 185 EFT.

Potential job losses: 407 EFT.

Estimated Staff Requirements Online Division

The huge success of the online business has seen plans put forward to open another larger warehouse and distribution centre and to bring forward the expansion plans in the Asia Pacific region.

While more work needs to be done, it is estimated that these new opportunities will require approximately 187 EFT additional staff. While a small percentage of these roles will require advanced technical skills, the vast majority are skill sets that the HR team believes many staff in the retail division already have and/or could be further developed through training.

We estimate that approximately 180 EFT positions can be successfully deployed from the retail to the online division.

Staff Demographics

The current demographics of the retail staff are not fully known however, it is estimated that, of the staff in the retail division:

- Approximately 43% are under 25 and often work in part time roles as they study,
- 69% work part time,
- Approximately 12% are over 55,
- 72% women and 28% men,
- 7.6% are located in regional cities and towns.

NB: These figures do not include casual employees.