Case - Mercantile Stores

During the 1980s, Mercantile Stores was a major retail organization located throughout the Southeast, Midwest, and Gulf Coast regions and included seven divisions: Gayfers, Maison, Blanche, Castner Knott, McAlpin's, Jones, Joslins, and J. B. White. Mercantile's mission statement was "Mercantile Stores is dedicated to creating excitement in merchandising by providing the highest level of service to our customers and a broad assortment of fashionable products that offer superior quality and value." In 1983 Mercantile initiated a program for processing incoming merchandise at regional distribution centers. This was seen as more efficient than receiving merchandise in the individual stores. In 1986 the company remodeled and expanded existing stores to accommodate a greater selection of fashion merchandise. Designer apparel offerings were increased in 1987.

In 1989 a major technological initiative called Quick Response was instituted. It integrated all facets of operations, from inventory planning to purchasing and inventory control, to provide customers with better service. Some of the technologies introduced were price look-up and point-of-sale laser scanning systems, electronic purchase ordering and replenishment, and electronic invoicing and funds transfer. Stronger partnerships were developed with suppliers to help ensure that suppliers have sufficient merchandise for stocking the stores. The company was in constant contact with its suppliers for mutual benefit. For example, Hanes hosiery used selling information furnished electronically and shipped 97 percent of Quick Response orders. Sales increased 17 percent, and the inventory level decreased by 15 percent.

The Quick Response program eliminated bottlenecks within the merchandise processing functions. Previously, shipments had required a high amount of labor-intensive efforts: opening cartons, physical counts, sorting, and manual ticketing. Advance shipping notice capability provided the means of knowing exactly what was coming and when. Shipments arrived preticketed by suppliers with external shipping container marking. Entire containers were scanned for contents and matched to purchase orders.

Mercantile Stores also established a University Business School for training its management associates to implement quality practices within the company The school's motto, Investing in Excellence Through Education, reflected the company's commitment to the development of its people. Sales associates, department managers, and store managers were empowered and challenged to embrace ownership and responsibility in their jobs. For example, they planned and monitored their own forecasts from start to finish. Complete customer satisfaction was seen as the responsibility of all associates. Decisions were made as close to the customer as possible, and promotions were made from within the company.

Discussion Questions

1. How does Mercantile view quality? Explain the roles of people and information technology in achieving quality in the Mercantile organization.
2. Compare the importance of "internal quality" (what the company sees) and "external quality" (what the customer sees). Do they conflict? What is needed to ensure that they are consistent?