# Dollar general uses control to grow profits

Business

Dollar General is a retail chain of stores that sells various household items at a price that will attract “ value-conscious and low-income” customers (Martin, Angela). With 7, 000 stores and as much as $2 billion in earnings, CEO David A. Perdue, Jr. , keeps a firm control on its operations. He decided to install an automatic replenishment system wherein managers determine the number of items needed or should be in each store, track sales and reorders automatically if the number falls below the preset level. This particular decision has earned the company substantial increase in sales.

Certo defined controlling as the process that managers go through to control; a systematic effort to compare performance to pre-determined standards, plans or objectives to determine whether performance is in line with those standards or needs to be corrected (Certo, 2003). In the case of Dollar General, Perdue should first measure the performance of those items that he wants to raise the prices of. Although its prices are set at a lower level than those of the competitors, he must determine whether a mark-up will hurt or boost the sales of these items.

Comparison of the measured performance must then be made against the standards previously set in order to find out if the decision to raise prices will make the company more profitable. He should remember that the lower the prices, the more customers there are. If he added a mark-up on the present price he is risking the possibility of some customers not patronizing the products even if the prices are still lower than the competitors’, especially if these products are the nonessential items.

Moreover, higher prices always have some negative impact on the specific commodity and thereby rebound on the sales and the profit of the company.

The bigger stores may have lower sales than the smaller ones, if compared on a per-foot basis but this is not yet a problem, just a symptom that a problem may arise in the future. It is not yet a problem because the stores are also earning profit, just a little bit lower if compared with the smaller stores. Corrective action may be applied by Perdue. His move to enhance the variety of items on sale in these larger stores is a positive action.

He has to utilize all available space without compromising the customers' comfort while shopping in the store. As CEO, Perdue has theresponsibilityto keep track of the performance of each store under his management, to make sure that the performance level is up to standard. Dollar General should use concurrent control to manage shrinkage because the problem is present and is already being experienced by the company. Management can devise ways to eliminate the problem more efficiently because they can assess the situation on a firsthand basis.

It may be that theft of merchandise occurs due to lax security in the stores with the highest shrinkage figures. Another reason could be the accessibility of the merchandise on sale, where the customers can easily take something without anyone noticing. Applying concurrent control actions can minimize the shrinkage problem. Revamping security measures is one way, wherein Perdue can hire non-uniform security personnel to go around inside the stores so that they can watch the activities going on.

A retail giant like Dollar General is a company that makes use of the different concepts and principles of management that is why it has reached the pinnacle of success that it is enjoying now. It has a sound team of managers that has the welfare of its employees and customers alike in mind.

######################## References Certo, S. C. (2003) Modern Management (9th Edition), accessed on 18 November 2008 at http://www. book. google. com/books