

RETAIL SECTOR IN INDIA: HR ROLE AND CHALLENGES

***Trupti Sachin Gupte**

PTVA's Institute of Management, Vile Parle (Mumbai), India

ARTICLE INFO

Article History:

Received 14th December, 2017
Received in revised form
19th January, 2018
Accepted 11th February, 2018
Published online 30th March, 2018

Key Words:

Evolution of Indian Retail,
Prospective Employees,
HR practices required,
Strategies.

ABSTRACT

Within With in retail, the emerging sectors are food and grocery, apparel, electronics, e-commerce, fashion and lifestyle. "The upcoming areas within retail are luxury, super specialty stores/ malls, and renewed emphasis on high streets. Retail is a sunrise industry and perhaps one of the biggest industries having potential for employees. It has appeared suddenly and going to increase in future. India has no past experience of this type and of its magnitude. It's necessary to get ready to meet the challenges posed by it at HR front. Government has to lay down the policy, which has to be industry friendly but real entrepreneurial role has to be played by the private sector, especially big domestic players in retail industry.

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Citation: Trupti Sachin Gupte, 2018. "Retail sector in india: hr role and challenges", *International Journal of Development Research*, 8, (03), 19724-19730.

INTRODUCTION

The retail sector in India is growing at a phenomenal pace leading to job opportunities in different areas. According to the Global Retail Development Index 2012, India ranks fifth among the top 30 emerging markets for retail. "There are many factors contributing to the boom in this sector. To name a few, increased consumerism with a capacity to spend on luxury items and increased spending power in the hands of Indians. More Indians are travelling abroad and are exposed to different cultures and way of life and thereby more brands. India's internal consumption is also high and the consumption pattern owing to diversity in culture, religion and the family values that encourage spending on specific occasions keeps the retail business well oiled. Marriages add a big dimension to the retail spends. Indian culture expects a lot of give-and-take for marriages, festivals and other important events of life. Hence, it's imperative for people right from rural to the urban, irrespective of their caste and creed or economic status, to spend on gifts as a part and parcel of life. And that's the reason worldwide retailers eye the Indian market," Within retail, the emerging sectors are food and grocery,

apparel, electronics, e-commerce, fashion and lifestyle. "The upcoming areas within retail are luxury, super specialty stores/ malls, and renewed emphasis on high streets. As per the report of McKinsey Global Institute (2007), India is becoming the world's 12th Trillion dollar economy, and further it predicts that India is well on its way to become the world's fifth-largest consumer market by 2025. Currently, India is ranked as the 12th largest consumer market in the world. The Indian retail market is professed as potential goldmine and is attracting a large number of giant international and domestic players in anticipation of explosive growth.

Emerging Retail Sectors

Food and grocery

Several players operating in this category have experimented with their offerings, formats but have had limited success till date. With growing urbanization, consumerism and acceptance of modern retail, this sector exhibits huge untapped potential. The ready-to-eat market has grown over the past few years and with further investment expected in the food processing sector, the ready-to-eat market may prove to be the catalyst for modern retail food and grocery category. This sector requires the most amount of effort in terms of getting appropriate store

***Corresponding author: Trupti Sachin Gupte,**
PTVA's Institute of Management, Vile Parle (Mumbai), India.

location well trained staff, right merchandise mix; value added services and efficient/effective supply chain consistently delivering Every Day Low Pricing (EDLP).

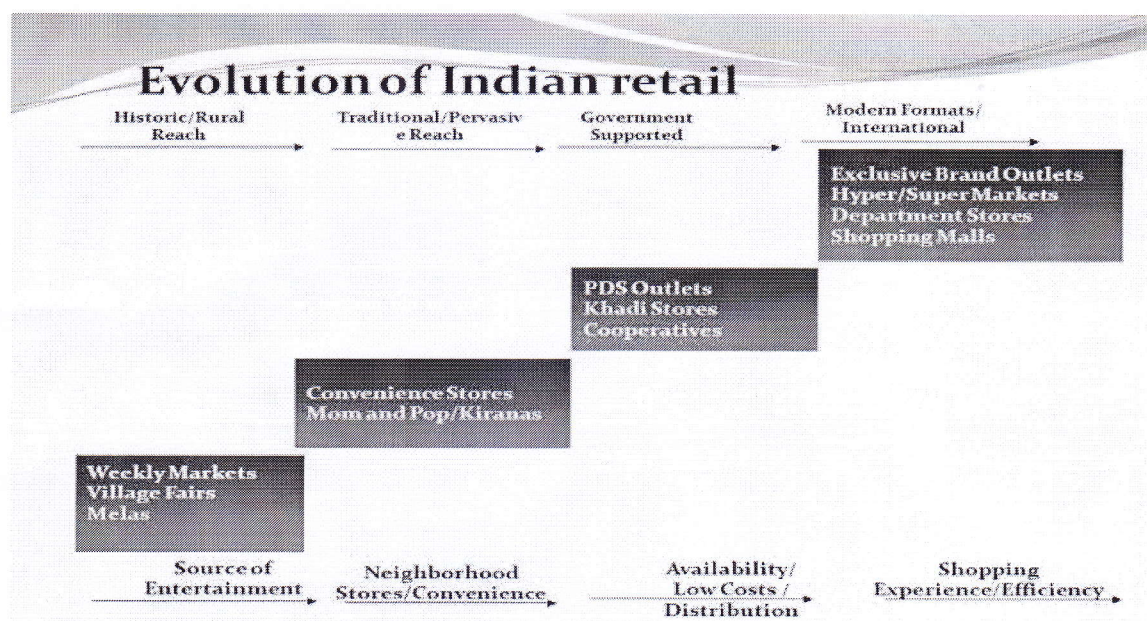
Apparel

Rising fashion awareness and the desire to be perceived as 'in vogue' has led to the rapid growth of apparel category. Brand conscious behaviour; initially restricted to men's apparel with rapid urbanization has now caught on in the women's apparel line as well. Gradual shift from the traditional 'buy and stitch' to readymade wear, for convenience and larger choice prompted the increase in purchase through departmental stores. This category is considered to be the pioneer of modern/departmental retailing and in its early days witnessed many manufacturers venture into front-end retailing. Over the years, these players have not only realigned their product offerings but have also moved towards providing other value added services. Critical success factors would be to deliver affordable and accessible fashion, provide value added service to keep the consumer coming back for more.

This category, of late, has witnessed modern retailers setting up home furnishing sections in their hypermarkets or starting specialty stores. This category faces stiff competition from small time traditional retailers as well as individual carpenters/furnishers. Critical success factors would include store layout, experience selling, providing a 'one stop solution for home and office requirement', introducing new/ innovative concepts and designs, tie-up/ alliances for consumer finance and competitive pricing.

Beauty, wellness and pharmacy

Beauty and wellness category has been growing rapidly over the past few years which can be attributed to consumer product companies venturing in the front end. This category in India are primarily targeted at female audience, leaving a huge untapped potential for men's products and services. Pharmacy retailing in India is largely dominated by traditional/ local chemists. Over the years, this category has attracted a number of pharmaceutical companies venturing into retailing.



Evolution of Indian Retail

Electronics

Historically, this market was largely dominated by branded stores which primarily sold high ticket value items (television, refrigerators etc.), which over the years has broadened to include lower ticket value products (hand blenders, water purifiers etc.) Easy availability of consumer finance, high technology acceptance, newer product categories and technologies, desire to emulate the developed world has led to an increase in the overall spend within this category. Critical success factors include store branding and layout, developing a concept of 'one point solution, 'training the sales/ procurement staff with product and technology knowledge, being able to match competitor discounts and tie-up for consumer finance.

Furniture and furnishing

In the past, modern retail market within this category was predominantly driven by furniture makers who would import and market their products.

These new entrants are offering attractive discounts along with value added services (e.g. diagnostics and lab facilities, home delivery etc) being their unique selling proposition. Critical success factors include relationship building and meeting customer aspirations, talent management, service innovation, providing value-added services, creating strong brand awareness as well as offering value for money proposition.

Challenges faced by Retail Sector

Supply chain

Finance Minister Pranab Mukherjee had in his 2010-11 budget speech said "... the second element of the strategy relates to reduction of significant wastages in storage as well as in the operations of the existing food supply chains in the country. This needs to be addressed." India is the seventh largest country (land mass: 3.2 million sq. Kms.) with varying climatic conditions over the country.

Taste and preferences of people varies strongly all across the country. Catering to people in various states and union territories is equivalent to catering to people in different countries, leading to complexities in merchandise/ inventory management. Infrastructure has been developing at a rapid pace over the past decade. There exists a need for retail to concentrate on developing a strong back-end support especially for perishable products to help reduce wastages which is estimated to be at 40 percent of national produce.

Channel conflicts

Globally, retailers maintain a direct relationship with their suppliers. Due to the complex taxation structure and geographic spread of the country, most FMCG companies have developed regional distribution and re-distribution network. Cutting out the distribution network will hurt operating structures of distributors, who as an industry body in the past have opposed FMCG companies selling directly to retailers. There exists a need for a retailer to work closely with the suppliers in an attempt to shorten the supply chain network resulting in saving time and money.

Location and rental

Finding the right location with the right rental for stores has been a challenge for all retailers. Rent forms a large portion of the total expenditure in retailer's income statement and can more often than not convert a profitable store into loss making. The challenge for a retailer would be to find the right location for their stores either in malls or as a standalone store to be able to generate enough footfalls. A retailer could evaluate option of setting up a property development/ management arm that would be able to source/ develop stores at lower rentals.

Unique Indian customer

The Indian consumer experiencing modern retail has now warmed up to this idea. Buying habits have still not changed, where people prefer to buy most of the fruits and vegetables on a daily basis. The Indian consumers have a strong preference for freshly cooked food over packaged food mainly attributed to dietary patterns, poor electricity supply, low penetration of refrigerators and, a family structure where one of the primary roles of the housewife is feeding the family. There is also an impact on the basket size because of non-availability of personal transport facilities, due to which the consumers prefer to buy smaller quantities from stores conveniently located near their homes.

Regulatory

Currently, indirect taxation structure is complex in India with varying tax rates, multiplicity of taxes and multiple tax enforcement authorities. This is likely to have an impact on the supply chain model and cost structure of distributive trade, followed by consumer packaged goods companies. Opening a new store requires a lot of licences, which have to be obtained from different government departments leading to considerable lead time in opening up of the stores. A push has been made by existing retailers to get the government to have a single window clearance for getting all the licences at one place to speed up the process.

Private Labels

Private labels enable retailers to offer products at a better price point attracting footfalls to the store.

This in turn not only translates to better margins by cutting out middlemen but also enhances retailers bargaining power with supplier. Penetration of private labels in emerging markets is expected to be about 6% of retail sales (Source: India Retail Report) which in India is estimated to be about 10 – 12%. The concept is still at a very nascent stage in India given the age of modern retail in India. Few players have introduced private labels in the category of Food and Grocery, Apparel, Consumer Durables etc. but reservations still exist towards acceptance of these products with the Indian consumer. Private labels offering competitive pricing proposition has helped to generate interest and a slow but steady acceptance from the Indian consumer.

Human Resource role in Retail

The boom in the retail sector in India and its corresponding spike in demand for talent has under scored the need for effective HR systems. The function of human resources has special significance in retail as the employees operate in a unique environment. In any retail organisation, the people who deal with the customers at a one to one level are considered to be the face of the organisation. According to a study conducted by Wharton (2007) at a Canadian consulting firm on retail customer dissatisfaction, it was found that disinterested, ill-prepared and unwelcoming salespeople lead to more lost business and word-of-mouth than any other management challenge.

Thus, there is utmost need for effective HR systems to encourage and develop employees, manage performance, reward recognition which helps to increase the opportunity for employee advancement and to retain engaged employees. In India, the rapid development in this sunrise sector accelerates the need for the right kind of employees who can take care of retail operations. The success of any player in this lucrative sector depends not only on understanding target market and implementing marketing mix strategies but also on how effectively a retailer develops systems of high performance work practices including comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training. In India, sudden and unprecedented growth in organised retailing poses a challenge to human resources development.

Skill Sets requirement for Prospective Retail Employee

Any professional who has an experience in the retail industry or a relevant qualification in the field of retail industry like visual merchandising, marketing or has pursued a retail course can get into this field. The training and the skills would be a little different for people working in Indian retail stores and international retail stores. "Conceptual understanding, analytical skills and details, understanding customers and observation skills — project management and operating skills are required to work in any retail industry whether Indian or international. Specific aspects required to work in the international retail world could be understanding of global consumer behaviour, international standards and retailing strategies, for example, retail expansion strategies. It is also important to understand local culture, know the local language/s, spending patterns on festivals, special seasons, etc, and so on.

HR challenges in retail sector

Lack of talent

Organised retailing is highly manpower intensive. Retailing is the second largest employer in India; presently it employs about 22 million people. The present scenario depicts that there will further be a very high demand for manpower to match the scope of roll out plans of various players in the near future. This gives a clear indication of the extent of human resources required to support the growth of retailing in India. Especially, at the lower levels, there is requirement for large number of support staff as customer care associates. Moreover, due to organised retailing correlation with other industrial and service sectors, it is generating a great deal of indirect employment viz. security, electrical and mechanical maintenance, property management services, parking, sorting, packaging, etc. The sector is facing talent crunch because neither the talent required on such a large scale in the sector are available nor there is training infrastructure facility for them.

Unavailability of Experienced Manpower

Organised retailing is an emerging sector in India; there are not many executives with long and relevant experience. Although, India has a huge posse of qualified human resources, who have the required education and are highly motivated to undertake the challenging tasks still there is more pronounced need for middle and senior level management. Managers from industries such as FMCG Telcom, BPO, and Hospitality are able to quickly learn and adapt to the demands of retailing. Consequently, the scramble for talent hunt amongst organised retail players will be as fierce as their battle for customers. Therefore, developing strategies for creating, attracting, nurturing, retaining are required in the initial stages themselves.

Lack of Formal Retailing Education

There is requirement for qualified and trained manpower to look after day-to-day operations and cater to the wide spectrum of customer expectations. Therefore, it necessitates appropriate training to provide them exposure and also to equip them with progressive working methods. As there is lack of formal vocational institutes, where students can be trained for entry-level positions, most retailers in India depend on in-house training. Keeping in mind the growth in the retail industry, some business schools are coming forward to pioneer courses in retail management. The Indian Retail School has a number of such short-term courses on retail management. Pantaloon has made a tie-up with several management schools to offer programmes in retail management. RPG Enterprises has also set up a training institute for front line staff and store managers. Tesco runs a retail certification course with IIM-Bangalore. Reliance retail has also decided to set up its own training centers across the country. At present, it has two such centers in Mumbai and Kolkata. Training of the staff is the best investment in business and so in the retail business. The lack of formal retailing education further exacerbates the problem of recruiting. There is urgent need for management education for fraternity to fill in this vacuum. Top management institute are not showing interest because of low salary packages being offered to their students. Despite all these difficulties, the problem is required to be addressed. Proactive training strategies would become a competitive differentiator for retailers given the resource and competency shortages in India.

Threat of Poaching

While most of these challenges are gradually being addressed by the growing organised retail segment, the shortage of experienced human capital across all levels leads to poaching problem. The gap between supply and demand is resulting in high levels of attrition, and increased costs of doing business for the industry. The growth in retail salary in India has been one of the highest among all sectors in the past two years. At the same time, upcoming retail chains are poaching from multinationals and the established retail players like Shopper's Stop, Kishore Biyani's Big Bazaar and RPG Group's Spencer's for back end operations. But for front-end operations like HR and merchandise management, the target is FMCG. According to HR consultants, the biggest setback for FMCG companies has been at the middle management level.

Retention of employed staff, particularly the frontline staff who constitutes 85% of a retailer's workforce is becoming a rising concern. While Pantaloon has attrition rate of 8.6% per annum, RPG Retail accepts that their frontline attrition rate has drastically increased to 16% from 5% last year. There is growth in retail sector, with many well-established business. Apart from this, many global players are foraying into retailing through one or the other way. All this can lead to higher attrition or poaching problem.

Stressful Environment

Retail sector is among the top ten segments in which the menace of stress and mental fatigue had intensified during the recent times. The working pattern of retail industry requires employees to put in long hours (8-12 hrs.) of work which generally cause fatigue and lower motivation among employees. There is lot of work pressure in particular from work overload, time pressures and deadlines, and staff shortages and turnover rates. This may lead to poor performance, absenteeism, mistakes in jobs etc. Besides this, in part-time and casual jobs in retail sector, there is job insecurity, short-and split-shifts, unpredictability of hours, low wages and benefits, poor working facilities, and the need to juggle multiple jobs to earn a living wage contribute to stress and workplace problems.

High Turnover

Retailing is a high staff turnover industry, with even the larger retailers facing attrition rates of between 40 and 60 per cent a year. As organised retailing is at a nascent stage in India, attrition is not yet an issue at least at the middle and senior management level. However, with rapid growth in retailing, the demand for managers with good retailing experience is set to increase, hence attrition levels are expected to worsen. For front-end staff attrition rate is believed to be 25 to 50 per cent which may be due to large number of inexperienced and part-time staffs. With more and more players roll out their retail initiatives, industry experts expect that attrition will rise at the managerial level too. At lower levels some perennial issues for high employee turnover within the sector are: seasonal employment during peak trading period and the perceived lack of career opportunities. This is especially true amongst students many of whom are employed by retail organisations as undergraduates but would look for alternative employment as graduates.

Complex Human Resources Environment

The development of the retail sector is dependent on the availability of skilled and knowledgeable manpower broadly at two levels- managerial and associates. Although growing consumerism and availability of manpower are powering the growth of organised retail business in India but skilled human resources are woefully short in supply. Traditionally, the task content of frontline jobs has been low and segmented, requiring little skill or training. It leads to cycle of low wages, low morale, and high turnover and high customer dissatisfaction and, therefore, loss of sales. But at present the need is to hire employees with the right skill set who can take care of operational functions and also there is necessity to engage employees with the right attitude as they need to work long hours and also on holidays and festive occasions. The retail human resource environment in India is very complicated with lack of experienced and trained people, lack of sources of employment and little focus on human resource planning, compensation measurement and working conditions. In addition to this, the perception of working within retail is poor with entrenched beliefs that all roles involve long and unsocial hours, which limits the ability of employees to manage the balance between work and life. It may be business requirement to open the retail stores on holidays and festivals, but from employees' perspective that deprives them of community activities.

Requirement for HR Practices

Retailers need creative HR practices to win over the war for talent hunt which is imperative for success in Industry. Indian retailers need to develop a set of good HR practices to enhance competency and retention of employees while developing processes and systems that will address not only the current shortfall but also future challenges viz. indiscipline, disengagement, disputes, trade union issues, sexual harassment, attrition etc. Any organisation can succeed by being compassionate to employees' genuine needs and initiating HR policies which harness the potential of every employee. As retail industry is luring the employees from other industry, this strategy may lead to another set of challenges as the industry matures. The employees who are drawn from other sectors may be worried about their growth opportunity, career path and other future related issues. To deal with these challenges the Indian retail industry needs to start putting in place strong human resource systems and processes to manage a huge workforce in a motivating environment.

Recruitment Challenge and Employing Strategies

Indian retail sector is facing some specific recruitment challenges, even companies known to be leaders in retail industry are experiencing recruitment challenges, especially for entry-level store employees and for store managers.

Some of the recruitment challenges are

- Finding the right talent that is willing to commit over the long-term.
- Retail jobs in the frontline are near minimum wage jobs, although players in specialty format tend to pay a little more. But pay cannot be used to hire people.

- Retail jobs are also not career builders in the short run. Thus, making career paths clear to new talent also poses as one of the biggest challenges.
- Competition and diversity are challenging too; everyone is looking for the same highly-qualified employees.

To overcome these challenges retailers can employ following strategies to recruit

- Build the brand name of the company in the overall employment market by communicating its attributes in a way that distinguishes the company from the competitors. The focus of the company can be on attributes such as inclusiveness, competitiveness, fast-paced, goal-oriented, values-based, having high integrity.
- Highlighting the job opportunities through company's own website as well as major job listing websites, such as monster.com and naukri.com targeting intranet postings current employees so they can see where new opportunities are available.
- Classified ads, signs at shopping malls, radio ads, brochures, message on sales receipts can also be used for recruitment.
- Employee referrals can also be promoted with bonuses for referring new hires that stay with the company for at least a prescribed period of time.
- The culture of a company, its values, and the way in which attributes are expressed and demonstrated appears to be a significant factor in employees choosing the retail company for which to work.
- To overcome the short run career image, exposure to career paths to employees is required. Different companies have different career path models which are aligned with the company's culture, approach to employee communications, size and available opportunities, and management approach. Along with this, showing wages associated with career paths, showing career paths and opportunities, internal promotions, internal job fairs can also be useful.

Compensation Strategies

The biggest challenge of ensuring employees contribution to business results is in figuring out what kind of reward and recognition programme to implement. Total compensation comprises direct monetary payments (salaries, commission and bonuses) and indirect payments (paid vacations, health and life insurance and retirement plans). It should be fair to both the retailers and its employees. To better motivate employees, some firms also have profit-sharing. In India, the compensation strategy for front-liners is conservative, while retailers develop a very competitive plan for store managers. But if retailers want to provide stability to their employees and also want them to act as the custodian of their business who can contribute to business, they should plan for devising an effective compensation strategy. In order to get maximum contribution from employees the retailers can design a compensation programme which is low on guaranteed pay but aggressive on store profitability linked bonuses or incentives. Even those in support functions such as merchandising, distribution, accounts and so on need to be rewarded based on the performance of the stores that they are servicing.

Engaging and Retaining the Talent

It is challenging enough to find the right people, but more challenging is to retain and engage competent employees. High attrition rate in retail is acknowledged as an accepted but inefficient practice which not only affects retailers in their ability to develop and retain talent, but also to drive higher levels of profit. The companies are forced to spend time on recruiting and screening new talent, rather than in growing the business. The impact of turnover also affects the experience levels of employees who are interacting with customers and, therefore, may also impact the quality of service and the quantity of sales. Hence, retailers must examine different strategies which they can use to engage their employees, reduce turnover and boost morale.

These strategies are given below

- Fairness/equitable treatment.
- Better hiring processes and improved efforts to meet employee training needs.
- Providing good work environment with clear values and goals.
- Ensuring equitable pay and fair treatment.
- Helping employees maintain a balance between personal and work life is a vital strategy that can help retailers develop a happier, more productive and more loyal employee culture. Retailers should focus on sufficient hours of work and flexibility in the scheduling of those hours to meet employees' personal needs as well as those of the company.
- To retain their people, the retailers should take every opportunity to tell employees about the career paths and opportunities that exist to move ahead and earn more money.
- Leading retail companies of all sizes make investments in training. Although some of the key retention strategies for entry-level employees are competitive pricing (i.e. salary) but giving them the right training can also be a tool for retention. Most of the companies gear a basic training to employees. But focusing on training for specific competencies required for the positions within the company and requirements at each job progression is also advisable for retention.
- Retail companies emphasises on performance, although to achieve this they provide the support needed to assure the employees will be successful in their positions. Retailer can supplement this by emphasizing on special assignments, rotations, and training which can be used by retail companies to keep their employees.
- In India, some leading retailers focus a lot on this issue. Reliance Retail has a talent transformation programme where people are made to identify their skill sets.
- Employee retention through job enlargement in retail plays a crucial role as the job markets perform better for skilled personnel.
- Focusing on polychronic-orientation (an employee's preference for switching between multiple tasks within the same time-block) can be very useful. It has been demonstrated empirically that a polychronic-orientation has both direct (employee fit) and indirect (through fairness perceptions) effects on retail employee satisfaction.

Career Advancement

Any Company's ability to recruit and retain a high-quality employee diminishes as the perception grows that it offers limited advancement potential. This limited advancement potential within individual retail firms leaves many qualified employees with few options other than to look elsewhere for employment, which, in turn, contributes to the turnover costs paid by employers. Thus, providing opportunities for career advancement can be an important attraction point to draw top-notch talent, although this can be a way by which retailer "brand" their company in the employment market. Due to scarcity of experienced and talented people, one can find that there are too many companies chasing too little talent. Thus, in this competitive environment showing that a company offers the employee a bright future provides a competitive advantage in recruitment.

Career advancement in companies can be done though

- Developing career path
- Recognizing and communicating advancement opportunities
- Company's commitment to internal promotion
- Identification of critical positions
- Developing talent and succession planning
- Healthy Management Practices

Healthy management practices

- Providing safe and secure workplace
- Paying salaries on time
- Providing and processing leaves, loans and other requests on time
- Providing neat and clean wash rooms, changing rooms and rest rooms
- Providing good uniform
- Ensuring the handling of grievances
- Equitable treatment at workplace
- Ethnic Diversity Management

Many multi-national companies (MNCs) are opening their retail outfits in India. Naturally, employees profile is going to be a complex and diverse one. It requires developing a global cultural management to take care of this future HR problem.

Conclusion

Retail is a sunrise industry and perhaps one of the biggest industries having potential for employees. It has appeared suddenly and going to increase in future. India has no past experience of this type and of its magnitude. It's necessary to get ready to meet the challenges posed by it at HR front. Government has to lay down the policy, which has to be industry friendly but real entrepreneurial role has to be played by the private sector, especially big domestic players in retail industry. Though, some players' viz. Future Group, Reliance etc. have already taken initiatives, this growing industry requires many more to come in to shape of either captive institutes or private public partnership for creating, attracting, nurturing, and retaining trained manpower.

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