ROLE OF HR IN RETAIL SECTOR IN INDIA

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ABSTRACT

Ever changing nature of retail market has made availability of talent inevitable for existence. HR is gaining importance in the value chain and becoming a strategically important for the Industry. Today retail sector demands hiring skilled talent, retaining critical talent and engaging and motivating employees which were traditionally seen as a support functions in retail but today has become an absolute necessity.

INTRODUCTION

India is witnessing a boom in retail industry over the past few years due to changing life style, rising consumerism, enhanced buying power of the middle class, relaxation of FDI in retail sector and government encouragement for local retailers. The pattern of retailing has changed tremendously during last six to seven years which can be called as short period. The industry is expected to rise 12% p.a. and will generate about 2 million jobs in the next 5/6 years. However the industry has no planned setup to check with. So the industry is evolving with experimentation, risk-taking and trial-and-error methods. The industry requires huge supply of qualified, future-ready talent which can sustain high performance and retain key talent. The industry is battling with economic challenges as well as talent shortages.

KEY FEATURES OF INDIAN RETAIL INDUSTRY

- Government’s FDI policy changes, likely entry of major global players like Walmart
- Expansion of markets beyond metros and Tier 1 cities, huge potential in rural areas
- Growing popularity of modern retail formats
- Thrust on profitable growth with improved manpower and cost optimization
- Greater use of technology
Efficient supply chain management
Effective store management and improving availability
High attrition rates and low employee commitment

HR in Retail

The constant changes in Indian retail sector have also changed the functioning of HR department. Earlier HR was seen in a supplementary role primarily functioned for recruiting and managing present employees, making sure there are people to perform functions required for running the organization. Hiring people was the key performance indicator of HR since attrition is very high in this sector. As retail is one of the fast growing sectors in India, the key business focus was also on expansion, thus, having HR focus on recruiting and getting people on the floor on time. However dynamic business environment and evolving HR functions has made HR business partner. Some retailers, evaluate the performance of HR annually based on key business focus areas. The work of HR is aligned with overall business targets. All the HR activities are planned according to business needs and HR works on achieving them.

The current focus of HR has shifted to control attrition, increase productivity, reduce cost and minimize hiring. Due to unprecedented growth the sector is witnessing plenty of attractive job opportunities are opening, especially for front line sales. Retailers are trying to ensure optimum budgeting of manpower. Unique feature is followed which is to link calculation of manpower to customer expected in the store rather than the traditional ratio of manpower to square feet area of the store. With the planned government reforms for the sector, the future HR focus areas will be on building strong rewards & recognition programs, installing programs to retain critical talent, making policies to enhance discipline amongst the young and frequently churning workforce, continuous focus on training and create strong performance driven and learning culture.

SWOT Analysis of HR in Retail in India

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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<td>• Impressive industry growth rate, potential to create jobs are key pull factors</td>
<td>• Facing a deficiency of skilled and experienced professionals, especially at the middle and the senior level management.</td>
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<td>• MNCs entering the Indian market would bring in superior and robust practices in the industry</td>
<td>• Very high attrition, around 50% leading to focus on continuous recruitment</td>
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<td>• Industry does encourage innovative HR practices to engage employees</td>
<td>• There is a continuous need towards skill development of employees</td>
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<td>• Institutes having retail market understanding with RAI being closely involved in the sector</td>
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**KEY CHALLENGES FOR HR IN RETAIL SECTOR**

1. Employees with diverse background

   Retail industry in India is growing fast and the organizations are hiring employees who are from diverse background and also possess wide range of experience. The challenge for the organizations lies in creating a unique organizational culture emphasizing organizational values and with vision for future.

2. Relations between store level employees and suppliers

   Most of the employees in retail sectors are young, in the age group of 21-26. Due to the decentralized nature of employment, organizations often find it difficult to keep watch on the interactions between store and the suppliers which are spread across the country. HR should ensure that no unethical ties get developed between store level employees and suppliers.

3. Training and Motivating employees

   Huge numbers of store employees who do not have experience are the face of organization for the customers. The challenge for HR is to bring professionalism among the workforce, making them realize between working of a typical *kirana store* and a branded national retail store. The key responsibility with HR is to build leadership qualities among employees and motivate them to perform to their fullest capacity. Retail stores work on cost cutting and wafer thin margins. Plus, in India still very few retail professional courses are available and the retail stores have to put sizable part of their investment in training the employees. The diversity in geographical spread of the employees makes it a stiff task for HR.

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<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
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| Retail has the potential to generate employment (both direct & indirect)  
– Currently accounts for approx 8% of employment  
– Creation of 10 million jobs in 10 years. Second largest employer after agriculture  
– Attracts large pool due to minimum qualification requirement of 10+2 for hiring | With the opening up of the sector, creation of enough skilled workers to cater to the demand is crucial  
– Career progression is a key challenge and of immediate concern as a majority of the workforce is young and expects good progression  
– Having said that, matching up to having attractive compensation at all levels becomes another critical factor |

*Source: Deloitte Secondary Research*
The stores are getting opened in an area where young managers are working on setting up operations from scratch. Such scenario calls for creating inhouse talent that can be deployed anywhere. Some of the stores e.g. Spencer’s have created their own talent academies to build capability of talent suiting their needs.

4. Offering stable career paths

Retail being a sunrise industry going through huge changes within a short period of time, it is almost impossible for HR to offer a concrete career path to the employees. This often proves to be huge obstacle when the stores go for recruiting talented candidates. Recent recession times have witnessed lay-offs and downsizing of workforce. Given the unstable conditions, many are averse to jobs in the sector. This affects recruitment as well as retention of talented employees.

Fresh graduates look up to bigger and more renowned brands. Those who do not have good brand positioning (including some international brands) in Indian market face problem in attracting good talent.

5. Managing empowerment vs. control

Retail organizations are often heavily decentralized and have a distributed structure. Given this structure, a challenge for HR is in balancing empowerment at a store level with the necessary controls.

6. Organizational Communication

Another challenge of decentralized and disperse nature of the stores is to keep employees involved and committed towards organizational goals. Many retail organizations are using innovative ways like leadership connect sessions to align organizational and individual goals and values and allowing open communication.

7. Compensation Issues

HR in retail has to make good balance between employees’ expectations for high compensation and management’s ever increasing drive for cost cutting. The compensation pattern in most retail organizations is variable in nature which is based on the performance of the store. That also puts limits on assigning new roles to people across the stores.

Underprivileged socioeconomic background of post of the working population of retail stores has made their job as a mere source of income rather than seeing it as a vocation. People often hop off their jobs if they can find even small financial gain somewhere else. Employees switch for mere hike of Rs. 500. Retail organizations which invest heavily in training and development of workforce find it as huge cost to bear.

8. Stressful Working Conditions

Employees often find themselves in stress and burnout due to customer centric nature of the industry and employees are always expected to be on their toes to keep customers happy. Young staff who come from deprived socioeconomic class often have to bear tantrums of wealthy customers. Long working hours, late timings of work and working on weekends, altogether make the industry unattractive for the youngsters.
9. **Attrition**

Due to above mentioned reasons attrition rate in the sector has found to be high in retail sector. Heavy training needs, alternative sources of available employment e.g. IT, ITES, LIC agency, etc. are also some of the other reasons found for high employee turnover. Pursuing further studies is also one of the reasons many of the youngsters leave their jobs.

**INNOVATIVE HR PRACTICES**

Seeing the challenges faced by the sector some organizations have initiated measures to attract, motivate and retain talent.

In-house training centers and capability development practices are used by many retailers as an impetus to employees to upgrade and progress in their respective careers. Such internal training academy helps employees in developing skills continuously and serves as a tool to manage their talent and skill sets needed. A lot of emphasis is placed on development of internal talent pool via development centers and assessment centers.

Special emphasis is given on training newly recruited candidates. The employees undergo training every 6 months, with tests and roles are assigned after evaluating the results of the tests. The tests comprise of product knowledge, process knowledge & customer service. Training contents are designed keeping in mind roles assigned and knowledge enhancement takes place through Learning Management System. Progress of the employee is monitored regularly. Employee career movements are planned accordingly.

One of the companies decided to explore new source recruitment by hiring candidates from tier 2 and 3 cities for front line working. Companies are also resorting to campus recruitments from institutes conducting retail specific courses. In case of opening of new store, internal hiring is also undertaken where old employees are transferred to new stores.

Companies have also started designing the strong rewards & recognition programs according to needs of different sections of the store and coming up with competitive incentive schemes. One of the companies has increased wages in the food and grocery section as the company was facing a huge challenge in that section. Some companies are trying to provide better compensation packages than those offered by other competing industries. One of the companies outsourced physical work of loading and unloading from trucks required to be done in the store. As a result attrition has come down by 30%. Companies are keeping a track of attrition very frequently by formats, location and levels.

Retailers are doing much more to retain their existing talent for creating performance driven culture. Some of the initiatives include strong communication programs, annual employee engagement surveys, town halls held every quarter, clearly articulated values, transparent feedback mechanism, strong induction program, and incentive & promotion based on performance.

Store locality and sales target play have strong impact on performance of an employee. Retailers are identifying low sales stores and are setting fixed sales target for the quarter. Entire retail set up works towards achieving the target instead of just that store’s employees. This has helped creating a team spirit and a feeling of collective responsibility among employees. HR employees are making ‘mystery shopping visits’. It gives them the true picture of the challenges faced by the front line and designing training programs accordingly.
ROAD AHEAD

Talent Acquisition
• Hire from Tier 2/Tier 3 cities
• Hire permanent staff rather than temporary staff
• Higher level of gender diversity in retail sector

Talent Management
• Introduce flexible working arrangements
• Managing peak season requirements within existing workforce
• Develop alternative channels (retailing, direct selling, institutional selling) as feasible
• Design competitive compensation structures that incentivize employees to focus on revenues

Talent Development
• Identifying high potential performers and investing in their development
• Developing training initiatives and platforms that cater to specific retail requirements
• Focus on internal upward movement and cross functional moves to ensure retention
• Designing career plans for key performers and devising strategies for retaining them

Source: www.deloitte.com

CONCLUSION

Retail sector in India is a fast growing sector in India. Changing pattern of employment in retail brings specific challenges for HR in retail special regarding employee retention, compensation and attrition. Retail organizations are taking innovative measures to retain and motivate workforce.

REFERENCES