

## “OPPORTUNITIES & ATTRITION IN ORGANIZED RETAIL MARKET IN PUNE”

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### **Abstract:**

*Under the present circumstances, retention and motivation of personnel on Organized Retail Malls (ORM) has become the major concern of HR. Looking at the current scenario, it could be said that there is an acute shortage of middle level management professionals in the Indian Retail Industry. The current trend is to hire from a smaller organization tempting the incumbent with a better pay package. It is imperative that suitable talent be hired in various areas such as technology, supply chain, logistics, product development and marketing in order to stay side by side of the hectic race for success among MNCs. The call is for HR practitioners to play a more proactive and prominent role in order to retain the high tech skilled employees who are constantly looking for greater gains and prospects in their work. This is the real HR challenge to retain the "workers" by introducing new processes and procedures and still ride high in implementing organizational effectiveness. The study of attrition will certainly enable to find out the ways to ensure longer sustainability of the organized retail malls.*

**Keywords: Organized Retail, Attrition, HR Challenge, Malls.**

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### **1 History & Present status of Organized Retail Market in India:**

“The Organized Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized retail sector in India”.<sup>1</sup>

The above information gives a basic idea as of how the problems in organized retail sector are going to affect on society because this sector is emerging as major sector for employment opportunities for youngsters and working women as referred above.

1.1 **Report from consultancy firm Booz & Company, 2013**, Fast growth in organized retail and opening of new malls and stores have raised attrition levels at the shop floor to alarming levels of eight per cent a month, or 96 per cent a year, say consultants. Just three to four years earlier, attrition was only two to three per cent a month.

The Indian retail sector grew eight per cent annually between 2007 and 2011, with the organized segment growing at more than three times the pace of the unorganized one. The share of organized retail is expected to touch 14 per cent of the total by 2016, says a recent report from consultancy firm *Booz & Company*.

Suresh J, M.D., Arvind Lifestyle Brands says: "When retailers open new stores, they offer Rs. 500 more and get people. For many sales staff, even Rs. 500 hike is big enough to move."

In a recent survey done (from July 2012 to January 2013, with 34 retailers taking part) by Tata Consultancy Services and the Retailers Association of India (RAI), a third of the respondents said they had average attrition rates of more than eight per cent in a month, translating to almost 100 per cent a year.<sup>2</sup>

The above report highlights on certain important and relevant points like 8% growth rate of Organized Retail Sector (ORS), increasing rate of attrition from 3% per month in 2010 to 8% per month in 2013. Expected share of ORS is 14% in the Indian economy. This is an indicator of the need to focus on the issues related to attrition in ORS.

1.2 **Shreya Biswas, 2013**, has written in her article "*Attrition in India to top world charts in 2013*"; in Economic Times that one in four employees in the organized sector in India is set to switch jobs, the highest attrition rate globally, according to a Hay Group study.

This indicates the extreme need of strong and urgent steps to be taken to introduce good retention policy in organized retail malls.<sup>3</sup>

The author has clearly mentioned in the above article that India has the highest attrition rate in ORS against which strong action has to be taken.

1.3 **Govind Shrikhande, 2013**, M.D. of Shoppers Stop, says in his opinion in the article, "HR Challenge" in news paper Business Standard, says that employees are

leaving for a combination of reasons. "About 25-30 percent employees leave for higher education, another 30 per cent leave for higher salaries and others for various other reasons."

Shoppers Stop has put career progression modules within the company. Any customer associate who completes 18 months with the company becomes eligible for a 'Baby Kangaroo' program, wherein he will get a mentor and additional responsibilities".<sup>4</sup>

This is really a good example of retention policy implemented by Shoppers Stop which gives the opportunities to rise on the career ladder. The opinion of Mr. Govind Shrikhande describes major two reasons of attrition in ORS viz. 30% for higher education and 30% for higher salary and rest 40% leave jobs for various reasons.

- 1.4 **Chiranjiv Singh, 2012**, says in his "FDI in Indian Retail Sector – Highlights and Analysis" in CAclub India- An Interactive Platform for Finance Professionals that, like every other economy, the retail sector is also one of the most crucial and extremely potential sectors of the Indian Economy. As of now, the retail sector in India accounts for approximately 33% of the GDP with 46% growth rate in past three years from 2008 to 2011. The Indian retail market is one of the top 5 retail markets in the world and employs 7% of the total Indian work-force.

The retail sector in India is divided into two main heads, viz., organized sector and unorganized sector. Organized Sector Retailers means to include the licensed retailers i.e. those, who have registered themselves for sales tax/VAT, income tax, etc. If we talk about the statistics, the market share of unorganized retail sector is 97% of the total retail sector, as compared to organized retail sector, which accounts for only 2-3%. Significantly retail industry contributes about 10% to the GDP of India, and it is the largest source of employment after agriculture in the country.<sup>5</sup>

In this article it is mentioned that India has found its place in the world's retail market. It also mentions that the growth of organized retail is less but it is increasing and generating good scope for employment.

- 1.5 **Gouri Agtey Athale, 2006**, mentioned in her article in *Economic Times* dated Aug 15, 2006, PUNE: The retail sector rolls on, especially in Pune where studies indicate that organized retail attracts a higher spend than the national average.

Estimates indicate that Pune has 8-12 lakh sq ft in organized retail space already built up, with another 30 lakh sq ft space to be added over the next two years. Most of this development is being done by local developers although their tenants will be global or Indian brands. Retail real estate begins to look up in Pune.<sup>6</sup>

The author in this article highlights the point that huge investments are made by organized retail malls in Pune and therefore there is a lot of scope for employment in organized retail sector.

Some statistical information is given below in the graph to know the growth of the Organized Retail Industry in India in comparison with the total retail in the country. It shows that the contribution of organized retail is increased from approximately Rs.5000 crores to Rs.70000 crores from the year 1999 to 2010. In comparison with that the total retail was Rs. 750000 crores in 1999 and Rs. 2200000 crores in 2010. In conclusion, the percentage in the contribution of organized retail over total retail in the country is increased from 0.6 % in 1999 to 3.2 % in 2010.<sup>7</sup>



Source: Saxena Ranjan, Marketing Management, Tata McGraw Hill Education Private Limited, New Delhi, 2009, p 476

### 1.6 Scope for employment opportunities:

With reference to one article in newspaper Times of India, 2012, it is a small wonder that retail sector has opened the floodgates of employment opportunities to the Indian youth. Statistics reveal that the organized retail sector has increasing employee base burgeoning from 5.4 lakh to an awesome 16 lakh over the last couple of years. About 2 millions jobs were thrown open in the organized retail sector by 2010 with all key players including Pantaloon India, RPG Retail, Lifestyle, Wills lifestyle, Shoppers shop, Trent Ltd, Crosswords Bookstores Ltd., Ebony Retail Ltd. and Reliance Retail Ltd. The retail sector has abundant opportunities for part time positions as well due to the long working hours.<sup>8</sup>

According to this newspaper article it is sure that tremendous job openings are going to throw open in organized retail sector.

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers..

The government of Man Mohan Singh, Prime Minister, announced on 24<sup>th</sup> November 2011 the following:

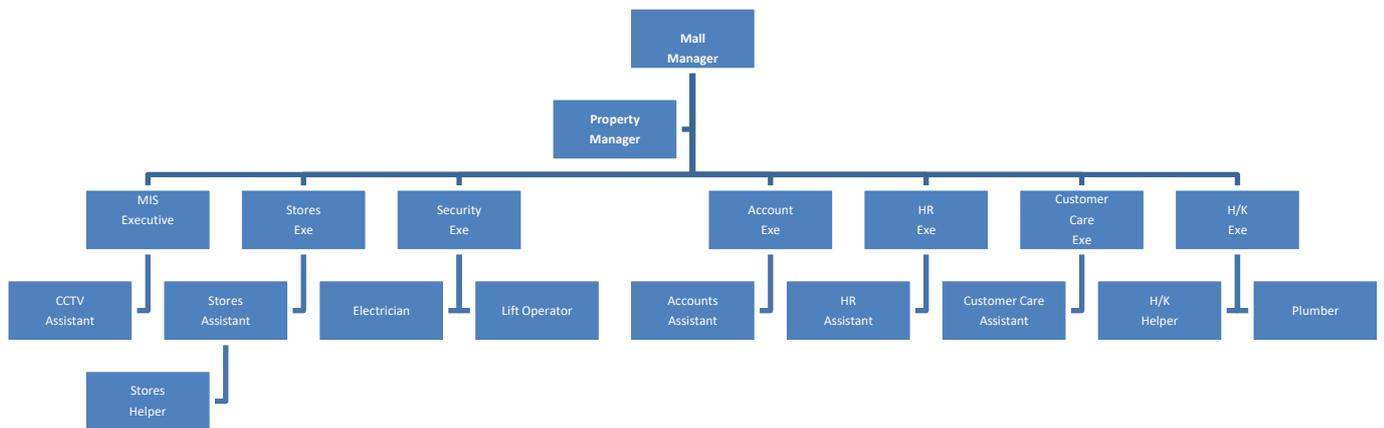
- India will allow foreign groups to own up to 51 per cent in "multi-brand retailers", as supermarkets are known in India, in the most radical pro-liberalization reform passed by an Indian cabinet in years;
- Single brand retailers, such as Apple and Ikea, can own 100 percent of their Indian stores, up from the previous cap of 51 percent;
- Both multi-brand and single brand stores in India will have to source nearly a third of their goods from small and medium-sized Indian suppliers;
- All multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India;
- Multi-brand retailers must have a minimum investment of US\$100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing to considerably reduce the post harvest losses and bring remunerative prices to farmers;
- The opening of retail competition will be within India's federal structure of government. In other words, the policy is an enabling legal framework for India. The states of India have the prerogative to accept it and implement it, or they can decide not to implement it if they so choose. Actual implementation of policy will be within the parameters of state laws and regulations.

The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure.

A Wall Street Journal article claims that fresh investments in Indian organized retail will generate 10 million new jobs between 2012–2014, and about five to six million of

them in logistics alone; even though the retail market is being opened to just 53 cities out of about 8000 towns and cities in India.<sup>10</sup>

**Diagram No. 1: (Organization Structure of ORMs)<sup>11</sup>**



## 2. Review of Literature:

2.1.1 **Deloitte Touche Tohmatsu India Pvt Ltd, 2013**, in its article “Retail Sector - An HR Point of View”, Human Capital Advisory Services, February 2013, has commented as under: In order to address on-going challenges of retention, HR needs to continue to deploy effective on boarding programs, engagement initiatives. The Report also gives the information about past, present and future of organized retail market.<sup>12</sup>

**Past:** As mentioned above, past focus has been mostly on hiring since attrition is very high in this sector. As retail is one of the fast growing sectors in India, the key business motive was also on expansion, thus, having HR majorly focus on recruiting and getting people on floor on time.<sup>12</sup>

**Present:** Due to the boom in the retail sector there are lots of attractive job opportunities in the market, especially for front line sales. The current focus has shifted to control attrition, increase productivity, reduce cost, and minimize hiring. This is done so that profitability can be matched by the initiatives taken. Some companies are making huge investments in their people by introducing, Individual Development plans, and professional grooming courses to match with international standards and building the culture and organizational capability. This would help HR move up the value chain.<sup>12</sup>

### 2.1.2 **Defining Attrition:**

**Oxford Dictionary, 2013** defines the word attrition as under:

“The process of reducing something’s strength or effectiveness through sustained attack or pressure.”<sup>13</sup>

“The gradual reduction of a workforce by employees leaving and not being replaced rather than by redundancy”. For example, The Company said that it will reduce its worldwide employment by about 10% through attrition.<sup>13</sup>

As per **CiteHr, 2013**, Attrition means “The unpredictable and uncontrollable, but normal, reduction of work force due to resignations, retirement, sickness, or death.”<sup>14</sup>

As mentioned in the encyclopedia- **Wikipedia, 2013**, “Attrition may refer to the gradual reduction of the size of a workforce by not replacing personnel lost through retirement or resignation.”<sup>15</sup>

### 2.1.3 Reasons for attrition:

2.1.3.1 **Geraldine Garner, 2008**, has written in the article “*Five Attrition Factors and What You Can Do about Them*” in the magazine for professional engineers that following are the reasons of employee attrition:

- a. People and Communication
- b. Work Assignments
- c. Lack of Career Opportunities
- d. Infrastructure
- e. The Company<sup>16</sup>

2.1.3.2 **Citeman, 2012**, It is not easy to find out as to who contributes and who has the control on the attrition of employees. Various studies/surveys conducted indicate that everyone is contributing to the prevailing attrition. Attrition does not happen for one or two reasons. The way the industry is projected and speed at which the companies are expanding has a major part in attrition. The specific reasons for attrition are varied in nature and it is interesting to know why the people change jobs so quickly. Even today, the main reason for changing jobs is for higher salary and better benefits. While attrition cannot be attributed to employees alone, let us look at some of the possible reasons:

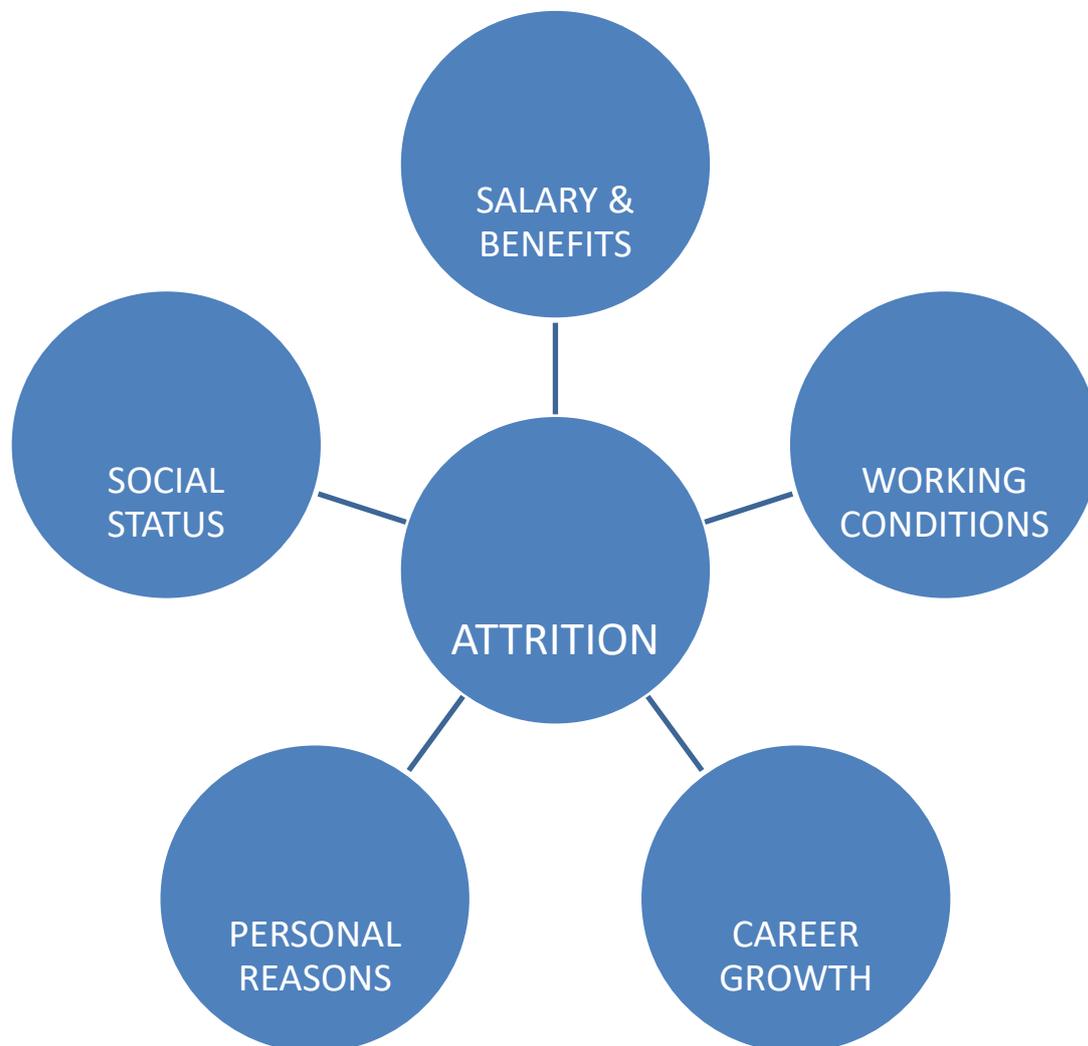
1. Organizational matters: The employees always assess the management values, work culture, work practices and credibility of the organization.
- 2 Working environment
- 3 Job pressure and stress
- 4 Monotony
- 5 Salary and other benefits
- 6 Personal reasons:

The personal reasons are many and only few are visible to us. They vary widely from getting married to relocating for health/family reasons. The next important personal reason is going for higher education.<sup>18</sup>

2.1.3.3 **As per Indian Retail Industry website, 2012**, following are the Challenges with respect to human resources: The Indian organized retail players shell out more than 7% of sales towards personnel costs. The high HR costs are essentially the costs incurred on training employees as there is a severe scarcity for skilled labor in India. The retail industry faces attrition rates as high as 50%, which is high when compared to other sectors also. Changes in career path,

employee benefits offered by competitors of similar industries, flexible and better working hours and conditions contribute to the high attrition.<sup>19</sup>

**Diagram No. 2: Parameters of Attrition for the purpose of this study.**



### 3 CONCLUSION:

Under the present circumstances, retention and motivation of personnel on ORM has become the major concern of HR. Looking at the current scenario, it could be said that there is an acute shortage of middle level management professionals in the Indian Retail Industry. The current trend is to hire from a smaller organization tempting the incumbent with a better pay package. It is imperative that suitable talent be hired in various areas such as technology, supply chain, logistics, product development and marketing in order to stay side by side of the hectic race for success among MNCs. The call is for HR practitioners to play a more proactive and prominent role in order to retain the high tech skilled employees who are constantly looking for greater gains and prospects in their work. This is the real HR challenge to retain the "workers" by

introducing new processes and procedures and still ride high in implementing organizational effectiveness.

The study of attrition will certainly enable to find out the ways to ensure longer sustainability of the organized retail malls.

Good HR practices can build better relationship with customers. Traditional shop keepers have been successful to create and maintain good customer relations. In organized markets it is necessary to inculcate better values in the initial stages of the development to establish high quality HR practices and organizational culture. This will create a strong bonding between employees and customers for longer period.

Without the help of well trained, loyal and committed human resource, organized retail malls cannot achieve strong position in the retail sector. The reason is a very strong and wide spread network of traditional market has notable personal touch with the customers and even their family members. This results in the lifelong business with customers for generations.

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